



## ESG approach and methodologies



# PREAMBLE

## Declaration of commitment

**Disclaimer:** The information presented in this document relates exclusively to SRI-labeled funds managed directly by La Financière de l'Echiquier (LFDE). Funds under delegated management are not included.

La Financière de l'Echiquier has been involved in Socially Responsible Investment (SRI) since 2007. SRI is an essential part of the strategic positioning and management of the following Undertakings for Collective Investment (Funds):

- Echiquier Agenor Euro SRI Mid Cap
- Echiquier Agenor SRI Mid Cap Europe
- Echiquier Alpha Major SRI
- Echiquier ARTY SRI
- Echiquier Climate & Biodiversity Impact Europe
- Echiquier Credit SRI Europe
- Echiquier Health Impact For All
- Echiquier High Yield SRI Europe
- Echiquier Impact et Solidaire
- Echiquier Major SRI Growth Europe
- Echiquier Positive Impact Europe
- Echiquier Short Term Credit SRI
- Tocqueville Silver Age ISR
- Tocqueville Small Cap Euro SRI
- Tocqueville Europe Strategic Tech SRI.

These funds have been awarded the French government's SRI label, in accordance with the criteria set out in the guidelines updated to 01/03/2024.

This document is updated *at least* once a year.

La Financière de l'Echiquier is committed to transparency. We consider that we are as transparent as possible given the regulatory and competitive environment in the state where we operate. We are also in favor of greater transparency with regard to climate-related financial risks, and therefore support the TCFD (*Task Force on Climate-related Financial Disclosures*).

**Data at** 12/31/2024

**Update :** July 2025

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# 1. LIST OF MUTUAL FUNDS CONCERNED BY THIS DOCUMENT

All of the documents relating to the below funds are available publicly, by selecting the desired fund on the "[Our Funds](#)" page of our website and by going to the "Documents - Responsible Investment" section.

The sectoral exclusions applied to each of these funds are detailed in paragraph 4.1 of this document, in a dedicated [Exclusion Policy](#) available on our website in the "Responsible Investment" section of the page entitled "[To find out more](#)", under the heading "LFDE Documents - Approach and Methodologies".

All the mutual funds listed below have at least the French government's SRI label. They are divided into two categories: **Impact Investment** and **Sustainable Convictions**. These categories correspond to varying degrees of integration of ESG criteria into the management of the funds - with Impact Investing at the forefront - which will be detailed throughout this report.

IMPACT INVESTMENT			
Dominant and complementary strategies	Main asset class	AuM at 12/31/2024	Labels
<b>ECHQUIER CLIMATE &amp; BIODIVERSITY IMPACT EUROPE</b>			
<input checked="" type="checkbox"/> Best in universe <input checked="" type="checkbox"/> Best effort <input checked="" type="checkbox"/> Score improvement	<input checked="" type="checkbox"/> All-cap EU equities	90 M€	<input checked="" type="checkbox"/> SRI label
<b>ECHQUIER IMPACT ET SOLIDAIRE</b>			
<input checked="" type="checkbox"/> Best in universe <input checked="" type="checkbox"/> Selectivity	<input checked="" type="checkbox"/> All-cap EU equities	1,6 M€	<input checked="" type="checkbox"/> SRI label <input checked="" type="checkbox"/> Finansol label
<b>ECHQUIER POSITIVE IMPACT EUROPE</b>			
<input checked="" type="checkbox"/> Best in universe <input checked="" type="checkbox"/> Selectivity	<input checked="" type="checkbox"/> All-cap EU equities	472 M€	<input checked="" type="checkbox"/> SRI label
<b>ECHQUIER HEALTH IMPACT FOR ALL</b>			
<input checked="" type="checkbox"/> Best in universe <input checked="" type="checkbox"/> Best effort <input checked="" type="checkbox"/> Selectivity	<input checked="" type="checkbox"/> International equities	18 M€	<input checked="" type="checkbox"/> SRI label

SUSTAINABLE CONVICTIONS			
Dominant and complementary strategies	Main asset class	Outstanding in millions of euros at 12/31/2024	Labels
<b>ECHIQUIER AGENOR EURO SRI MID CAP</b>			
<input checked="" type="checkbox"/> Best in universe <input checked="" type="checkbox"/> Best effort <input checked="" type="checkbox"/> Selectivity	<input checked="" type="checkbox"/> Small and mid-cap equities from eurozone countries	338 M€	<input checked="" type="checkbox"/> SRI label
<b>ECHIQUIER AGENOR SRI MID CAP EUROPE *</b>			
<input checked="" type="checkbox"/> Best in universe <input checked="" type="checkbox"/> Best effort <input checked="" type="checkbox"/> Selectivity	<input checked="" type="checkbox"/> Small and mid-cap equities from EU countries	1 564 M€	<input checked="" type="checkbox"/> SRI label
<b>ECHIQUIER ALPHA MAJOR SRI</b>			
<input checked="" type="checkbox"/> Best in universe <input checked="" type="checkbox"/> Best effort <input checked="" type="checkbox"/> Note improvement	<input checked="" type="checkbox"/> EU large-cap equities	86 M€	<input checked="" type="checkbox"/> SRI label
<b>ECHIQUIER ARTY SRI *</b>			
<input checked="" type="checkbox"/> Best in universe <input checked="" type="checkbox"/> Best effort <input checked="" type="checkbox"/> Note improvement	<input checked="" type="checkbox"/> EU and international actions <input checked="" type="checkbox"/> International bonds and other debt securities	699 M€	<input checked="" type="checkbox"/> SRI label
<b>ECHIQUIER CREDIT SRI EUROPE</b>			
<input checked="" type="checkbox"/> Best in universe <input checked="" type="checkbox"/> Best effort <input checked="" type="checkbox"/> Note improvement	<input checked="" type="checkbox"/> Bonds and other debt securities	365 M€	<input checked="" type="checkbox"/> SRI label
<b>ECHIQUIER HIGH YIELD SRI EUROPE</b>			
<input checked="" type="checkbox"/> Best in universe <input checked="" type="checkbox"/> Best effort <input checked="" type="checkbox"/> Score improvement	<input checked="" type="checkbox"/> Bonds and other euro-denominated debt securities	71 M€	<input checked="" type="checkbox"/> SRI label
<b>ECHIQUIER MAJOR SRI GROWTH EUROPE *</b>			
<input checked="" type="checkbox"/> Best in universe <input checked="" type="checkbox"/> Best effort <input checked="" type="checkbox"/> Score improvement	<input checked="" type="checkbox"/> EU large-cap equities	1 503 M€	<input checked="" type="checkbox"/> SRI label
<b>ECHIQUIER SHORT TERM CREDIT SRI</b>			
<input checked="" type="checkbox"/> Best in universe <input checked="" type="checkbox"/> Best effort <input checked="" type="checkbox"/> Score improvement	<input checked="" type="checkbox"/> Bonds and other euro-denominated debt securities	138 M€	<input checked="" type="checkbox"/> SRI label
<b>TOCQUEVILLE SILVER AGE ISR</b>			
<input checked="" type="checkbox"/> Best in universe <input checked="" type="checkbox"/> Score improvement	<input checked="" type="checkbox"/> EU and international actions	406 M€	<input checked="" type="checkbox"/> SRI label
<b>TOCQUEVILLE SMALL CAP EURO ISR</b>			
<input checked="" type="checkbox"/> Best in universe <input checked="" type="checkbox"/> Score improvement	<input checked="" type="checkbox"/> Small and mid-cap equities from eurozone countries	523 M€	<input checked="" type="checkbox"/> SRI label
<b>TOCQUEVILLE EUROPE STRATEGIC TECH SRI</b>			
<input checked="" type="checkbox"/> Best in universe <input checked="" type="checkbox"/> Score improvement	<input checked="" type="checkbox"/> International equities	212 M€	<input checked="" type="checkbox"/> SRI label

For funds marked with an "\*", assets under management at 12/31/2024 are those of the strategy, i.e. sub-funds of French and Luxembourg SICAVs.

For each strategy, not all sub-funds are systematically labelled. Although the management of the French and Luxembourg SICAV sub-funds concerned is identical, only the sub-funds of the French SICAVs Echiquier Agenor SRI SRI Mid Cap Europe and Echiquier Major SRI Growth Europe have applied for and obtained the French government's SRI label.

## **2. GENERAL INFORMATION ABOUT THE MANAGEMENT COMPANY**

### **2.1. Name of the management company in charge of the Funds to which this Code applies**

La Financière de l'Echiquier  
53 avenue d'Iéna  
75 116 PARIS  
<http://www.lfde.com/>

### **2.2. What are the background and principles of the management company's responsible investment approach?**

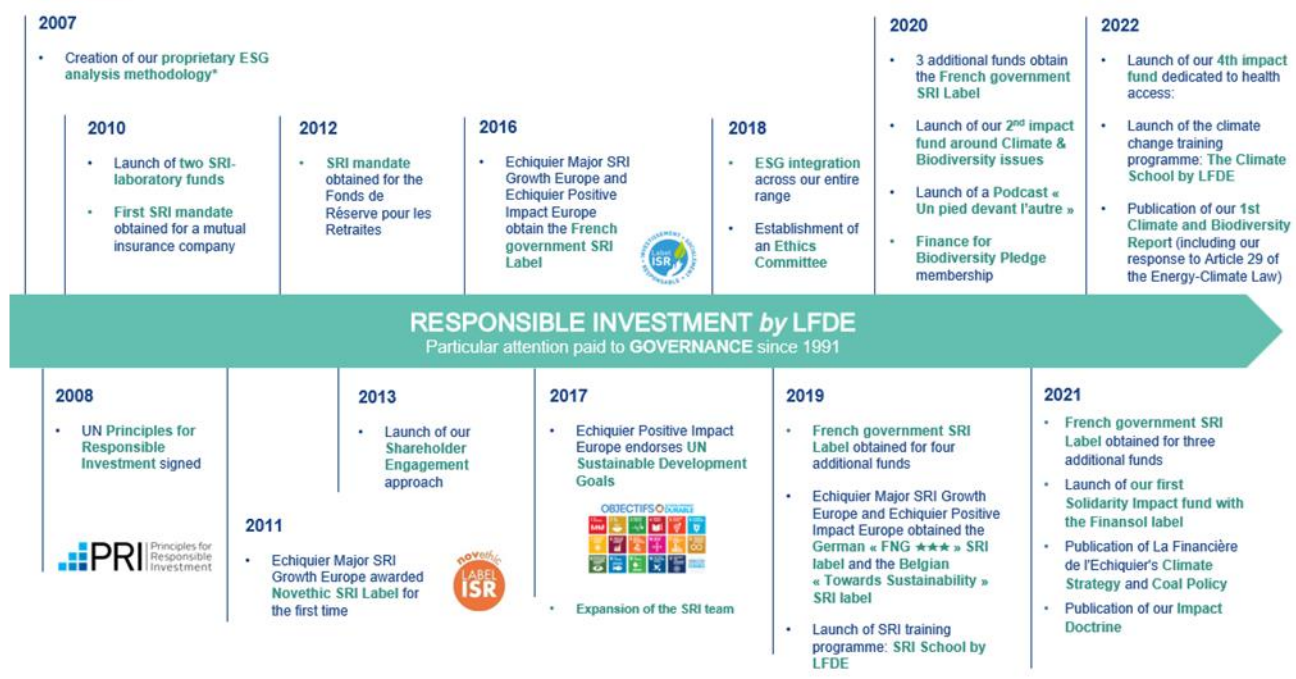
**History of La Financière de l'Echiquier's responsible investment approach :**

Since the creation of La Financière de l'Echiquier in 1991, particular attention has been paid to the analysis of corporate governance. La Financière de l'Echiquier's responsible investment approach was launched in 2007 as part of its corporate social responsibility (CSR) policy. This approach is underpinned by a solid knowledge of companies, based on years of meetings and exchanges with them, particularly on aspects of corporate governance.

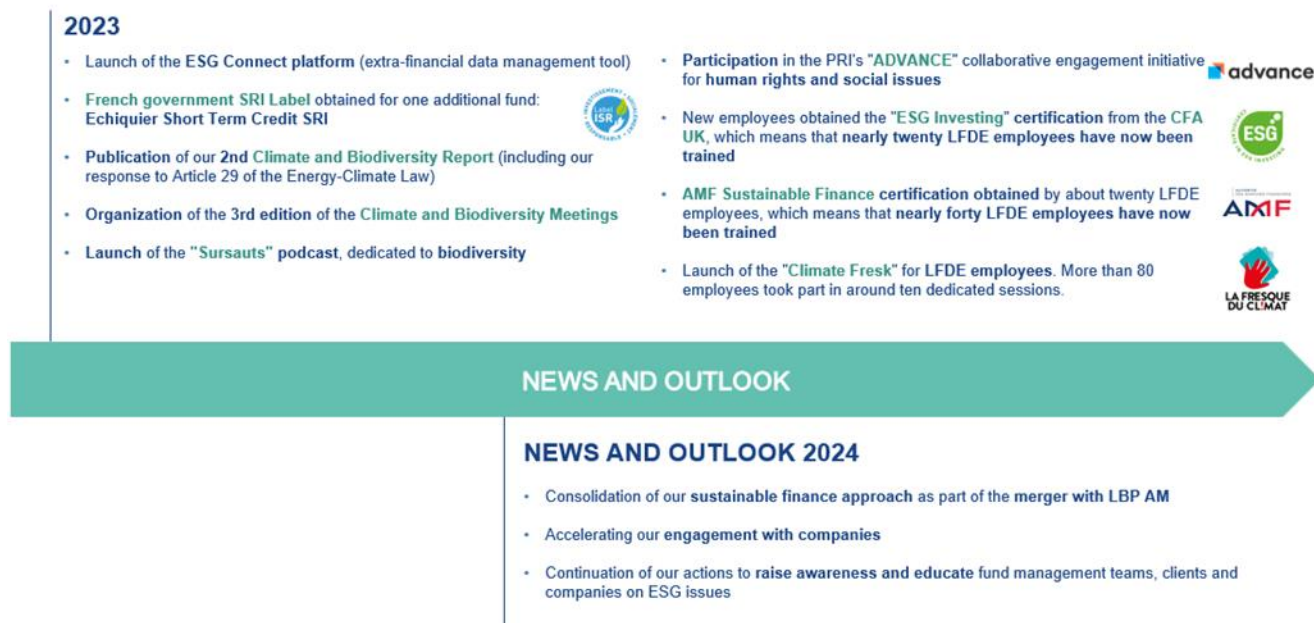
Since 2023, La Financière de l'Echiquier has been part of the LBP AM Group, a French asset manager committed to sustainable finance alongside its customers and partners. As a fundamental management division, La Financière de l'Echiquier plays a central role in the LBP AM Group's SRI management and corporate engagement strategy.

All information and documentation relating to Responsible Investment at La Financière de l'Echiquier is available on our website, in the "[Responsible Investment](#)" section. The timeline below traces the main milestones in La Financière de l'Echiquier's commitment to responsible investment over more than fifteen years.

## LFDE - A RESPONSIBLE INVESTOR: A LONG-STANDING COMMITMENT



## LFDE - A RESPONSIBLE INVESTOR: NEWS AND OUTLOOK





## Principles of La Financière de l'Echiquier's responsible investment approach :

In response to the major challenges facing our society (demographic development, urbanization, the environment, climate, agriculture, food and public health), the LBP AM Group has developed an innovative approach to SRI analysis and management: GREaT.

In addition to taking Environmental, Social and Governance (ESG) criteria into account, the LBP AM Group focuses its GREaT investment philosophy on four pillars that provide solutions and help to control risks:

- Responsible Governance,
- Sustainable Resource management,
- Energy transition,
- Territorial development.



This method can be adapted to all asset classes and is used to rate the sustainable development practices of 12,000 companies. It takes into account the impact of a company's activity on the local environment, a strong feature of the DNA of the La Banque Postale Group, of which LBP AM is a subsidiary, and a distinctive element of this innovative approach.

The GREaT methodology is based on the following guidelines:

- Innovative, using four pillars to analyze the risks and opportunities specific to each issuer,
- Foresight, by identifying forward-looking companies,
- Rigorous, using a single reference system to analyze, measure and grade,
- Flexible, by adapting to the specific characteristics of each asset class.

With this methodology, the LBP AM Group wished to implement an analysis framework that differs from a "classic" ESG methodology. The pillar devoted to local development reflects the Group's sensitivity to issues of inclusion, equity and sustainability at local level, which it shares with its parent company, a public entity. The issues of relocation, combating territorial divides and supporting local players are fully integrated into the analysis of issuers.

La Financière de l'Echiquier, as a subsidiary of the LBP AM Group, has fully converged its SRI approach to that presented above. Since January 1, 2025, the ESG analysis of portfolio companies has been based on the LBP AM Group's proprietary tool: GREaT.

La Financière de l'Echiquier fulfils its role as a responsible investor in two ways for its SRI-labelled funds:

- **Sustainable Convictions: A stronger commitment to our SRI mutual funds**

La Financière de l'Echiquier, a long-standing player in SRI, has been offering SRI mutual funds since 2010. Here, the analysis of sustainability criteria has a major impact on the selection of companies in the portfolio. It helps to better identify risks and detect new investment opportunities. The main principles of this selective and restrictive approach are as follows:

1. **Exclusions:** Extended and reinforced exclusion policy for SRI funds, in compliance with the exclusions required by the SRI Label V3.
2. **Coverage:** minimum GREaT score for 90% of portfolio companies.
3. **SRI Label V3 - Selectivity approach:** The 25% selectivity condition is first met by stocks within the investment universe that are on the exclusion lists that apply to Funds, and then by companies with the lowest GREaT scores, until 25% of the universe is excluded.
4. **SRI Label V3 - Score improvement approach:** This approach consists in obtaining a weighted average GREaT score at portfolio level which must be higher than that of its restated universe (from which we have removed the 25% of issuers with the worst GREaT scores and/or being on an exclusion list applicable to the portfolio).
5. **AMF Doctrine 2020-03:** The fund's weighted average GREaT score must at all times be higher than that of its investment universe (unadjusted).
6. **ESG rating - GREaT Quantitative Analysis:** An initial quantitative ESG analysis filter based on the proprietary GREaT model is applied to at least 90% of the portfolio's stocks.
7. **ESG rating - Qualitative Governance Analysis:** Particular attention is paid to the quality of corporate governance in portfolio companies. A dedicated qualitative analysis is carried out by the management teams.
8. **Controversies:** Particular attention is paid to the existence of ESG controversies. Possibility of updating the company's quantitative score with a qualitative correction if the seriousness of the controversy justifies it. The LBP AM Group's GREaT Committee meets to rule on the most sensitive cases.
9. **Dialogue:** Regular meetings with the management of investee companies, during which ESG issues are discussed. ESG issues may also be the subject of a dedicated interview. Companies' efforts in these areas are monitored over time.
10. **Voting:** Voting rights are systematically exercised by all managers for 100% of the stocks in SRI portfolios.
11. **Transparency:** Numerous documents available online on our SRI approach and methodology, as well as on the investments made through these mutual funds.

- **Impact Investing: The new frontier of SRI**

A pioneer of responsible investment in France, La Financière de l'Echiquier decided in 2017 to enter the field of impact investing on listed markets by launching its first impact mutual fund, dedicated to financing companies making a positive and significant contribution to the UN's Sustainable Development Goals. This decision marks a major shift for our management company towards impact investing, which we see as the new frontier of SRI. Impact investing is a demanding exercise based on three principles: intentionality, additionality and measurability. Our Impact Doctrine embodies these principles and provides a framework for LFDE's impact investment strategies. Through this type of investment, our aim is to maximize the positive environmental and social impact of each of our investment decisions. The main principles of this approach are as follows:

1. **Exclusions:** The exclusion policy for Impact Funds is more restrictive than that applied to Sustainable Convictions funds, and aligned with each FUND's impact thesis.
2. **Coverage:** minimum GREaT score for 90% of portfolio companies.
3. **SRI Label V3 - Selectivity approach:** The 25% selectivity condition is first met by stocks within the investment universe that are on the exclusion lists that apply to Funds, and then by companies with the lowest GREaT scores, until 25% of the universe is excluded.
4. **SRI Label V3 - Score improvement approach:** This approach consists in obtaining a weighted average GREaT score at portfolio level which must be higher than that of its restated universe (from which we have removed the 25% of issuers with the worst GREaT scores and/or being on an exclusion list applicable to the portfolio).
5. **AMF Doctrine 2020-03:** The fund's weighted average GREaT score must at all times be higher than that of its investment universe (unadjusted).
6. **ESG rating - GREaT Quantitative Analysis:** An initial quantitative ESG analysis filter based on the proprietary GREaT model is applied to at least 90% of the portfolio's stocks.
7. **ESG rating - Qualitative Governance Analysis:** Particular attention is paid to the quality of corporate governance in portfolio companies. A dedicated qualitative analysis is carried out by the management teams.
8. **Qualitative Impact Analysis:** Depending on the mutual fund's impact thesis, managers are asked to produce a dedicated Impact score. This qualitative analysis is based on the company's environmental and/or social contribution. A minimum score must be reached for the value to be invested in the fund's portfolio. These scores are updated every 1 to 2 years, depending on the fund.
9. **Controversies:** Particular attention is paid to the existence of ESG controversies. Possibility of updating the company's quantitative score via a qualitative correction if the seriousness of the controversy justifies it. The LBP AM Group's GREaT Committee meets to rule on the most sensitive cases.
10. **Dialogue:** Updating an issuer's Impact score is accompanied by a systematic interview dedicated to the issues raised by the TPO's impact thesis. At the end of the meeting, we share with the company concerned suggestions for areas of improvement, with particular attention paid to impact. Companies' efforts in these areas are monitored over time.
11. **Voting:** All managers systematically exercise voting rights for 100% of the stocks in impact portfolios.
12. **Transparency:** In addition to the documentation available for our SRI funds, we also publish an annual impact report for these funds, available online on the La Financière de l'Echiquier website.

Each of these aspects will be developed in greater detail throughout this document.

### **2.3. How has the management company formalized its responsible investment approach?**

Over the years, La Financière de l'Echiquier has formalized its responsible investment approach **as** part of its Corporate Social Responsibility (CSR) policy, of which it is the central element. This approach is underpinned by a solid knowledge of companies based on years of dialogue, and a particular focus on governance issues from the outset.

The key stages of this formalization were as follows:

- 1991-2007: Non-formalized approach to responsible investment, but application of "common sense" principles: emphasis on corporate governance and active voting at shareholders' meetings.
- 2007: Creation of our proprietary ESG analysis methodology.
- 2011: Echiquier Major SRI Growth Europe (La Financière de l'Echiquier's first SRI-labeled mutual fund) awarded the Novethic SRI label.
- 2013: Formalization of our commitment to companies through the definition of "axes of progress".
- 2017: Adoption of the UN Sustainable Development Goals reading grid by Echiquier Positive Impact Europe.
- 2018: Formalization and strengthening of our ESG Integration approach. In-depth training for the entire management team in ESG analysis, as well as for all sales teams in the theme of responsible investment. Creation of an ethics committee.
- 2019 : Publication of a study on the links between SRI and financial performance. Expansion of our range of SRI-labeled funds (6 funds hold the French government's SRI label).
- 2020: Expansion of our range of SRI and impact-labeled mutual funds to include nine funds by the end of 2020.
- 2021 : Publication of LFDE's Climate and Biodiversity Strategy and Impact Doctrine. Expansion of our range of SRI-labelled and impact-oriented mutual funds to twelve by the end of 2021.
- 2023: Expansion of our range of SRI-labeled and composite-impact mutual funds in 2023.
- 2024: Convergence work between the responsible investment practices of LFDE and the LBP AM Group and Tocqueville Finance (TFSA) as part of the acquisition of LFDE by LBP AM and the merger between TFSA and LFDE.
- 2025: Convergence of all LFDE open-ended funds, including those with the SRI label, to the LBP AM Group's proprietary GREaT ESG rating methodology.

For La Financière de l'Echiquier, it is important to formalize this approach and its various stages, both internally with employees and externally (visibility on the market and with our customers).



- **Internal formalization:** The aim of formalizing our approach internally is to help our teams understand and take ownership of the subject. The Responsible Investment (RI) Research team is a driving force in this area, devoting time in particular to the sales teams and the fund management team, who are at the heart of this approach.
  1. **Training in ESG themes:** Since the end of 2017, the RI Research team has been working hard to train all its teams in the challenges of sustainable finance. To this end, the RI Research team has developed numerous training courses delivered throughout the year (ESG analysis, climate, biodiversity, green bonds, unconventional and controversial hydrocarbons...), which sometimes also draw on the expertise of expert partners. The entire RI Research team is also trained in the animation of climate frescoes, and more than eighty employees have received in-house training in the causes and consequences of climate change. In addition, LFDE offers its employees a catalog of external training courses and certifications in sustainable finance. More than thirty of our employees have obtained the CFA Institute's "ESG Investing" certification and/or the AMF Sustainable Finance certification. These certifications validate our employees' knowledge and experience in sustainable finance. They are all encouraged to learn more about these issues, in particular through dedicated individual annual targets which are taken into account when determining their variable annual remuneration.
  2. **Support for the fund management team:** A weekly "ESG Committee" on ESG issues and commitments drives the life of the fund management team. Full details of this meeting can be found in paragraph 2.5.
- **External formalization.** We believe that formalizing our approach externally has several objectives:
  1. **Market visibility:** This involves participating in events and initiatives to promote our expertise and responsible investment as a whole. This point is developed further in paragraph 2.7. The publication of studies such as the one on the links between SRI and Performance published since 2019 is part of this.
  2. **Raising awareness among customers and prospects:** To get our customers on board with our responsible investment approach, it's essential to inform them and raise their awareness of the subject. The work of our sales teams, with the support of the RI Research team, is essential here. In addition, the events we organize throughout the year on SRI have an educational objective. La Financière de l'Echiquier's RI Research team is particularly active in educating its clients about SRI. To this end, it has launched several educational programs, in particular for its financial advisor clients: L'Ecole de l'ISR by LFDE (2019) , the educational podcast "[Un pied devant l'autre](#)" (2020), l'Ecole du Climat (2022) and the podcast "Sursauts" (2023), dedicated to solutions for preserving and regenerating biodiversity . LFDE also supported the launch of the MOOC (Massive Open Online Course) "Relever le défi de la biodiversité" initiated by ENGAGE and its RI Research team, which has also trained to animate climate frescoes.
  3. **Information for our stakeholders:** We attach great importance to communicating transparently and proactively with all our stakeholders on our approach as a responsible investor. This document is the most comprehensive tool for formalizing our approach. All documents on this subject are available on our website, in the "Responsible Investment" section, on the "[To find out more](#)" page, under the heading "LFDE Documents" (ie responsible investment policy, voting and engagement policy...) and on the pages dedicated

to each of our funds accessible from the [“Funds”](#) page. This point is developed further in paragraph 6.3.

4. **Contributing to education:** As an industry player, we feel it is important to train future finance professionals in responsible investment. Every year, members of the RI Research team give courses at a number of higher education establishments (NEOMA Business School, SKEMA Business School, etc.). In this vein, La Financière de l'Echiquier has also contributed to the creation of the "Msc Sustainable Finance & FinTech" at SKEMA Business School, due to open in September 2021.

## **2.4. How does the management company address ESG risks/opportunities, including those related to climate change?**

**Managing ESG risks and opportunities** is at the heart of La Financière de l'Echiquier's responsible investment approach. For several years now, these risks and opportunities have been approached from a dual materiality angle, in a variety of ways, through our different proprietary methodologies:

- **Risk identification:** Taking ESG criteria into account enables us to deepen our knowledge of companies, better assess their risks and thus minimize the risk of our investments. As well as taking ESG criteria into account, our dialogue with companies on the areas of progress we set for them encourages them to better manage their main sustainability risks.
- **Identifying investment opportunities:** In addition to identifying risks, taking ESG criteria into account enables us to highlight companies that have placed sustainable development at the heart of their strategy and made it a focus for growth and business development. This analysis enables us to identify and select companies marketing products and services that provide concrete solutions to sustainable development issues, as is the case, for example, with Echiquier Positive Impact Europe. By investing in the most virtuous companies, we highlight their good ESG practices and use them as models to encourage others to improve.

GREAT's proprietary ESG rating methodology integrates indicators relating to different categories of sustainability risk, such as climate change, governance issues and respect for human rights.

The following are considered :

- Regulatory risks, captured by the "Business ethics" criterion, which assesses the internal control systems in place at issuers,
- Operational risks, captured by the "Sustainable Resource Management" pillar, which focuses in particular on the quality of human resources management (training, controlling turnover, etc.) and the implementation of sound environmental management systems, both of which help to reduce operational risk,
- Strategic risks, which concern the alignment of corporate strategy with long-term trends, particularly with the "Energy Transition" and "Territorial Development" pillars,
- Climate risks, which are physical risks covering damage directly caused by weather and climate phenomena, and transition risks resulting from the effects of implementing a low-carbon economic model, following a change in regulations, the emergence of new "disruptive"

technologies, etc. These two risks are analyzed in the "Energy Transition" pillar. These two risks are analyzed in the "Energy Transition" pillar.

We believe that understanding significant ESG risks (e.g. by monitoring controversies) and identifying long-term investment opportunities at an early stage can improve the risk profile of our investments and be a source of alpha for our customers.

La Financière de L'Echiquier and its parent company, LBP AM Group, wish to set their management on a trajectory compatible with the Paris Agreement objective of limiting global warming to 1.5°C by the end of the century. We are studying the possibility of achieving carbon neutrality in our portfolios by 2050, and implementing an appropriate climate strategy. This strategy has three components:

- 1) Reduce our exposure to carbon-intensive assets,
- 2) Optimize the choice of portfolio companies and sectors,
- 3) Reinforce investment in companies that provide a solution to the energy transition and help combat global warming.

These three axes enable us to structure a coherent approach and present a robust methodology for controlling climate-related risks and enhancing opportunities in our investment decisions.

You will find details of our approach to taking climate risk into account for each fund managed by LFDE in section 3.4.

## **2.5. Which teams are involved in the management company's responsible investment activities?**

All members of the 58-strong fund management team (as at 31/12/2024) are involved in La Financière de L'Echiquier's responsible investment activities. The four members of the Asset Allocation team are progressively involved through the implementation of the proprietary "SRI Maturity by LFDE" methodology. To find out more about our responsible investment approach in our Asset Allocation funds, you can consult their dedicated document available on our website in the "Responsible Investment" section, on the ["To find out more"](#) page, under the heading "LFDE Documents - Approach and Methodologies".

- [SRI Research team](#): Among them, the SRI Research team (whose composition is available in paragraph 2.6) is in charge of supporting the entire management team in this approach, ensuring the qualitative follow-up of their ESG research work, and also assisting them with qualitative SRI analysis, the development of SRI investment cases, and engagement with companies. In addition to these missions, the team participates in the weekly ESG Committee. This is a privileged forum for exchange between LFDE's RI Research team, LBP AM's SRI Solutions team and the LFDE and LBP AM Group's Collective Investment Management team, enabling them to organize and strengthen their knowledge of SRI themes and news, keep each other informed of developments in the responsible investment approach, and organize future ESG thematic engagements with companies.

- **The Collective Investment Management team:** Sharing ESG research within the Collective Investment Management team is one of the central points. It takes shape via a weekly ESG Committee. All interview reports are communicated by e-mail, and all ESG research is systematically archived in our proprietary database. This database is unique in that it brings together financial and extra-financial information on issuers in a single location. Our ability to engage in debate with companies and to form an opinion on their progress on these issues is based, in our view, on the development of an extra-financial culture shared by the entire Research team within La Financière de l'Echiquier. In recent years, this database has been modernized and the SRI functionalities enriched, giving greater visibility to all the ESG data available to the management team.
- **All La Financière de l'Echiquier teams:** Beyond the management team, the subject of responsible investment is very much integrated within the company, and all teams are involved in the development and continuous improvement of our approach. The sales and marketing teams are particularly involved in explaining our responsible investment approach to our customers, as are the compliance and risk teams, who monitor the proper application of SRI management rules. One person is also in charge of SRI within the Customer Services team.

As a subsidiary, La Financière de l'Echiquier also benefits from the LBP AM Group's SRI research services. This is carried out by the LBP AM Group's SRI Solutions team, which is responsible for the GREaT SRI analysis methodology and the GREaT 360 quantitative rating platform.

What's more, since 2020, "contributing to LFDE's responsible investment approach" is no longer just a collective objective: each employee is concerned, through the individual objectives assigned to him or her, which now necessarily include a specific objective of contributing to LFDE's responsible investment approach, accounting for 10% in determining his or her annual appraisal interview score. The underlying objectives, whether quantitative or qualitative, are specified for each employee according to their function and responsibilities. In particular, this score is taken into account in determining variable remuneration, notably for the management team (depending on the extent to which sustainability criteria are taken into account in the Funds managed), as well as for LFDE's senior executives.

## **2.6. How many SRI analysts and managers does the management company employ?**

La Financière de l'Echiquier has a dedicated team of five people: one person in charge of SRI research, and four SRI analysts dedicated to qualitative analysis of companies and support for the management team, particularly in terms of commitment.

In addition to these five people, all the managers and financial analysts of SRI-labeled funds work, with the support of the RI Research team, on monitoring the criteria set out in the SRI Label V3 specifications.

## **2.7. What Responsible Investment initiatives is the management company involved in ?**



In the field of responsible investment, La Financière de l'Echiquier is involved in the following initiatives:

- General Initiatives :

- Principles for Responsible Investment (PRI) - United Nations (2008)
  - ⇒ Participation in 2019 in "The Investor Agenda" collaborative environmental commitment campaigns and on the "Deforestation and forest fires in the Amazon" theme.
  - ⇒ Participation in the "European Taxonomy" working group in 2020.
  - ⇒ Participation in 2020 in the "Climate Action 100+" collaborative environmental engagement campaign and in the "Ensuring a sustainable financial system in the COVID-19 recovery phase" discussion group.
  - ⇒ Participation in 2023 in the "Advance" social collaborative engagement campaign in the working group dedicated to the Acciona Energia company.
- AFG - Responsible Investment Technical Committee (2013)
  - ⇒ Since 2020, member of the Restricted Responsible Investment Committee, made up of a dozen Paris-based asset management companies.
  - ⇒ Participation in 2019/2020 in the "SDGs" working group.
  - ⇒ Participation in 2020 in the "AMF Doctrine 2020-03 Consultation" and "Article 8 of the Taxonomy Consultation" working groups.
  - ⇒ Participation in 2021 in the "Fossil fuels", "Impact" and "Biodiversity" working groups.
  - ⇒ Participation in 2022 in the EFRAG working group on social standards for CSRD regulation.
  - ⇒ Participation in 2024 in the "Operationalization of transition plans" and "Transparency Code" working groups.
- SIFs - Sustainable Investment Forum
  - Forum per la Finanza Sostenibile - Italy (2017)
  - Forum for Responsible Investment - France (2019)
    - ⇒ Participation in the SRI Label working group in 2019.
    - ⇒ Participation in 2020 in the three "Impact" working groups: intentionality, additionality and impact measurement.
    - ⇒ Member of the Dialogue and Commitment Commission since 2021.
    - ⇒ Participation since 2023 in the "Forced labor and child labor" working group.
    - ⇒ Participation since 2023 in the "Panorama de la Finance à Impact - Intégration de la Finance à Impact coté" working group, launched by FIR, FAIR and France Invest.

- ⇒ Participation since 2024 in the "Club SMID" initiative, through the two working groups dedicated respectively to governance issues and human capital.
  - ⇒ Participation in the "corruption" working group since late 2024.
- GIIN - Global Impact Investing Network (2020)
  - ⇒ Participation since 2020 in the "Listed shares" working group.
- Environmental/Climate Initiatives :
  - Carbon Disclosure Project (CDP) (2013)
    - ⇒ Participation in the Non-Disclosure Campaign since 2020.
    - ⇒ Participation since 2020 in the Science-Based Targets Campaign.
  - European Alliance for Green Recovery (2020)
  - Task Force on Climate-related Financial Disclosures (TCFD) (2020)
  - Finance for Biodiversity Foundation (2020)
    - ⇒ Participation in the "Impact measurement" working group from 2021 and the "Engagement with business" working group until 2022.
    - ⇒ Participation since 2023 in the "Nature Action 100" collaborative commitment campaign on biodiversity, launched by Finance for Biodiversity Foundation, CERES, Planet Tracker and IIGCC.
  - Net Zero Asset Managers Initiative (2021)
    - ⇒ Participation in 2021 in the collaborative engagement campaign "Sourcing conflict minerals in the semiconductor sector" led by the UN PRI.
  - Institute for Sustainable Finance (2021)
    - ⇒ Participation since 2021 in the "Definition of Impact" working group and from 2022 in the "Operationalization and Measurement of Impact" working group.
    - ⇒ Participation in 2022 and 2023 in working group no. 2 "Best-in-Class and ESG-balanced approach" on the revision of the specifications for the French government's SRI label.
    - ⇒ Participation since 2024 in the "Investors for a Just Transition" coalition and the "Impact" working group.
  - Entreprise pour l'Environnement (EpE) (2022)
    - ⇒ Participation in 2022 in the "Climate", "Biodiversity" and "Health-Environment" working groups.
- Social Initiatives :
  - World No Tobacco Day - World Health Organization (2017)
  - Access to Medicine Foundation (2019)

- ⇒ Participation since 2019 in several collaborative engagement campaigns alongside the Access to Medicine Index.
- United Nations Global Compact & UN Women
  - ⇒ Participation in 2019 in the "Women's Empowerment Principles" social collaborative engagement campaign.
- FAIR Association (merger of Finansol and Impact Invest Lab) (2021)
  - ⇒ Participation in the "Financeurs solidaires" group in 2021.
  - ⇒ Participation in 2022 in the "FAIR Membership Scale" working group.
  - ⇒ Participation in the "Finansol Label Exclusions" working group in 2024.
- Investor Alliance for Human Rights (2021)
  - ⇒ Participation since 2021 in the "Uyghur Region Engagement" working group.

Since the beginning of 2019, La Financière de l'Echiquier has stepped up its participation in market initiatives and thematic working groups. Its mobilization around collaborative engagement approaches alongside other investors has also been strengthened. To find out more, visit our [Engagement Report](#), available on La Financière de l'Echiquier's website on the page entitled "[To find out more](#)", under "LFDE Documents - Voting and Engagement".

## 2.8. What are the management company's total SRI assets?

Only Funds that have received one or more "SRI" labels, as well as the following mandates and Funds with the same SRI constraints as these model strategies, are counted as "SRI assets outstanding" and referred to as "SRI assets".

At 31/12/2024, La Financière de l'Echiquier's total **SRI assets** amounted to **25,157M€**. Of these, La Financière de l'Echiquier's **SRI-labeled** assets amounted to **€15,305M**.

## 2.9. What is the percentage of the management company's SRI assets relative to total assets under management?

At 31/12/2024, SRI assets represented around **59.6%** of La Financière de l'Echiquier's total assets under management. Of these, label-approved assets represented around **55.9%** of La Financière de l'Echiquier's total assets under management.

# 3. GENERAL INFORMATION ON THE MUTUAL FUNDS PRESENTED IN THIS DOCUMENT

In the following paragraphs, we will detail each aspect according to the profile of each mutual fund, whether managed according to an Impact Investment or Sustainable Convictions approach. Funds managed according to a Sustainable Convictions and Impact Investment approach are grouped together under the name "SRI-labelled Funds".

Each Impact Investment fund has different constraints and is subject to a different management process. For this purpose, we will use the following color code:

- [ POSITIVE IMPACT / SOLIDAIRE ] for Echiquier Positive Impact Europe and Echiquier Impact et Solidaire
- [ CLIMATE ] for Echiquier Climate & Biodiversity Impact Europe
- [ HEALTH ] for Echiquier Health Impact For All

### 3.1. What are the objectives of incorporating ESG criteria into mutual funds?

La Financière de l'Echiquier follows the same objectives as its parent company. The LBP AM Group is convinced that socially responsible investment practices are an essential lever to enable financial markets to play a more virtuous role in the economy.

Our management objective is to finance and invest in companies that :

- Control ESG risks through good governance and sustainable resource management practices,
- Present opportunities through the development of new business models linked to Energy Transition and Territorial Development.

A second objective is to help improve company practices in categories E, S, DH and G through the 4 pillars of the GREaT score:

- E "Environment": Energy Transition pillar,
- S "Social": Sustainable Resource Management pillar,
- G "Governance": Responsible Governance pillar,
- DH "Human Rights": Territorial Development and Sustainable Resource Management pillars.

The objectives for each of these pillars are detailed in section 3.3 on the GREaT analysis methodology. The Funds covered by this document offer management that takes into account the GREaT score of the portfolio.

La Financière de l'Echiquier's stock-picking approach is based on conviction and in-depth knowledge of the companies it selects for its mutual funds. The analysis of ESG criteria contributes significantly to a better understanding of these companies and a better assessment of their risks.

Through our proprietary GREaT model, we aim to select the best-performing companies from an extra-financial point of view. We also seek to support them in our commitment to all their ESG issues, such as:

- o **Governance:** Structure of effective checks and balances, transparency and alignment of executive compensation, diversity within management bodies...



- **Environment:** Redfunding companies' environmental impact (CO2 emissions, water, waste, biodiversity, etc.), decarbonization trajectory, environmental impact of products and services, etc.
- **Social:** Quality of working conditions, employee protection, fight against discrimination, social impact of products and services...

In addition, the RI Research team aims to raise awareness among the entire management team of all the opportunities offered by taking ESG criteria into account, as described below. Training is an integral part of this awareness-raising effort. All members of La Financière de l'Echiquier's management team receive ongoing training in the use of the GREaT rating tool - to help them identify the ESG risks and opportunities of their investment cases - as well as close monitoring throughout the year by the RI Research team.

Generally speaking, the objectives pursued by the Financière de l'Echiquier management team in taking ESG criteria into account are manifold:

- **Use available information that is little exploited:** ESG information on companies is often little exploited by investors. There is therefore a competitive advantage for those who use it to gain a better understanding of companies and, *ultimately*, make more informed investment decisions. La Financière de l'Echiquier aims to capitalize on internal and external ESG research to enrich its stock-picking management and make it more differentiating. We are convinced that this approach brings real added value to our management.
- **Identifying risks:** Taking ESG criteria into account enables us to deepen our knowledge of companies, better assess their risks and thus minimize the risk of our investments. As well as taking ESG criteria into account, our dialogue with companies on the areas of progress we set for them encourages them to better manage their main sustainability risks.
- **Identify investment opportunities:** In addition to identifying risks, taking ESG criteria into account enables us to highlight companies that have placed sustainable development at the heart of their strategy and made it a focus for growth and business development. This analysis enables us to identify and select companies marketing products and services that provide concrete solutions to sustainable development issues, as is the case, for example, with Echiquier Positive Impact Europe. By investing in the most virtuous companies, we highlight their good ESG practices and use them as a model to encourage others to improve.
- **Financing and supporting the transition to a more sustainable economy:** By taking ESG criteria into account, we are able to select and support the players we want to be part of the ongoing transition to a more sustainable economy. In this way, we have the power to support fundamental trends in society: energy transition, preservation of biodiversity, responsible consumption, gender equality...
- **Having a positive social and environmental impact:** Particularly in the case of SRI-labeled Funds, taking ESG criteria into account can help identify players with a positive social and/or environmental impact, and support them in leveraging and sustaining their impact. The impact reports published on our impact funds enable us to make this point objectively.

- **Bringing new investment solutions to our customers:** The inclusion of ESG criteria in our mutual funds enables us to offer new investment solutions to increasingly demanding customers wishing to invest in line with their values. We also offer them greater transparency in their investments.

All these objectives contribute to the fact that taking ESG criteria into account is seen as a potential performance factor, a strong conviction shared by the management committee as well as all La Financière de l'Echiquier employees. A La Financière de l'Echiquier study published annually since 2019 has documented and confirmed this conviction that SRI and performance are not incompatible - quite the contrary! Investing in companies with the best ESG ratings generates, over time, a performance superior to those of the major indices, and also superior to investing in companies with average or low ESG ratings. The full study is available on our website in the "Responsible Investment" section, on the "[To find out more](#)" page, in the "LFDE Documents - Approach and Methodologies" section.

### 3.2. What internal and external resources are used to assess the ESG performance of issuers forming the investment universe of Funds?

As part of our responsible investment approach, we use both internal and external resources to assess issuers' ESG performance. Our approach is underpinned by regular meetings with company management and long-term support through our shareholder engagement program. The use of extra-financial rating agencies and broker research complements our in-house analysis work.

The proprietary quantitative tool (GREaT 360) is used to summarize the criteria selected from recognized external information providers.

FOURNISSEUR	PRESTATION	FOURNISSEUR	PRESTATION
	Accès à Norm-Based Research ainsi qu'à des données sur les activités controversées (industrie de l'armement, de tabac et des jeux d'argent)	 	Données relatives à l'empreinte biodiversité via la méthodologie BIA-GBS (Biodiversity Impact Analytics powered by the Global Biodiversity Score™)
	Accès à des données ESG et au suivi de controverses concernant des émetteurs et analyse de données et construction de modèles d'analyse de risque climat.		Données relatives à l'impact environnemental des entreprises, en particulier sur les activités liées aux énergies fossiles
	Accès à des données ESG et au suivi de controverses concernant des émetteurs		Accès à des données ESG brutes
	Accès à des données ESG spécifiques aux moyennes et petites entreprises cotées sur les marchés européens		Accès à des données sur les entreprises ayant des activités liées au charbon et/ou énergies fossiles non conventionnelles
	Accès à des données sur la trajectoire et l'alignement net zero des entreprises		Données taxonomie et PAIs
			Accès à des données relatives aux pesticides

Other external means are used to feed our research on issuers, such as:

- Reading the company's public documentation (annual reports, sustainable development reports, etc.),
- Consulting broker or NGO reports,
- Review of articles published in the press,
- Site visits and meetings with a wide range of managers (CEO, CFO, HR Director, Quality Director, Environmental Director, Legal Director, etc.),
- Subscription to expert networks (Gerson Lehrman Group and Third Bridge) to deepen our knowledge of specific topics,
- Subscription to OFG research on the theme of governance, which provides additional insight into the quality of French company boards,
- Subscription to Capital IQ for access to corporate governance information, among other things,
- The ENCORE online biodiversity data platform,
- SASB's online platform for material sustainability issues,
- The UN Global Compact database.

### 3.3. What ESG criteria do mutual funds take into account?

ESG evaluation is based on the principle of double materiality. Its aim is to take into account both the impact of the environment on the company (financial materiality) and the impact of the company on the environment (impact materiality).

The GREaT analysis methodology, the result of several years of research, is based on four pillars, comprising the following criteria:

- **Responsible governance:** the aim of this pillar is to assess the organization and effectiveness of powers within each issuer (for example, for companies: assessing the balance of power, executive compensation, business ethics and tax practices),
- **Sustainable resource management:** this pillar enables us to study the environmental and human capital impacts of each issuer (e.g. quality of working conditions, management of supplier relations, management of water, biodiversity, pollution and waste),
- **Energy transition:** this pillar, for example, makes it possible to assess each issuer's energy transition strategy (e.g. greenhouse gas reduction approach, response to long-term challenges).
- **Territorial development:** this pillar makes it possible, for example, to analyze each issuer's strategy in terms of access to basic services (e.g. relations with communities, responsible practices with suppliers, responsible practices with customers, management of the social impact of products and services).

All these ESG criteria are used to determine a GREaT score, out of 10, which is attributed to each company.

### 3.4. What principles and criteria related to climate change are taken into account by Funds?

At La Financière de l'Echiquier, we are convinced that climate change has and will have a major impact on our society and the companies that make it up. Consequently, it is essential that this dimension forms an integral part of our analysis of the environmental risks of the companies in our investment universes. This analysis must both enable us to understand the company's exposure to climate change-related risks, and the way it anticipates, manages and mitigates them. This is the case, for example, with physical risks resulting from climate change, which can have both financial repercussions for organizations (direct damage to assets) and indirect repercussions (arising from supply chain disruption). The financial performance of organizations can also be affected by many other factors: water availability, supply and quality, food safety, extreme temperature changes affecting premises and operations.

The principles and criteria relating to climate change are taken into account in several ways in our funds:

- **Within the GREaT rating model:** Our analyses fully integrate the specific risks and opportunities associated with climate change. The risks associated with the transition to a low-carbon economy are taken into account in the GREaT ESG rating of issuers.
- **Within the sustainability indicators :**
  - o Carbon intensity: number of tonnes of greenhouse gases generated (scopes 1 + 2 + 3) for 1 million euros invested,
  - o Water consumption in m3 divided by \$1 million in sales,
  - o Carbon footprint: number of tonnes of greenhouse gases generated per 1 million euros invested,
  - o Net zero trajectory: share of companies whose greenhouse gas emission reduction targets are validated by SBTi.
- **[ POSITIVE IMPACT / SOLIDAIRE ] Within the "SDG Score":** Climate change criteria are taken into account in the positive selection of companies, through the "Solutions" Score of issuers contributing at least 20% of their sales to the UN's Sustainable Development Goals (SDGs), including the following two:
  - o SDG 7: Clean and affordable energy
  - o SDG 11: Sustainable cities and communities

This dimension is also integrated into the "Initiatives" Score, with, for example, the recognition of companies' ambitious carbon neutrality and renewable energy initiatives. As the SDG score is a net contribution score, companies whose products, services and activities have a negative impact on climate change will be penalized.

- **[CLIMATE ] Within the "Climate and Biodiversity Maturity Score":** Climate change criteria are taken into account in the positive selection of companies via the Climate and Biodiversity Maturity Score. It assesses the maturity of issuers in addressing climate issues. For details of how the Climate and Biodiversity Maturity Score is calculated, please refer to paragraph 4.1.

As the **protection of biodiversity** is an integral part of the fight against climate change, we decided in 2021 to strengthen the integration of this dimension in our investment decisions. To do this, we began



by **identifying the sectors for which biodiversity is a material issue**, by creating a sector matrix, developed using available research on the subject (ENCORE tool, SASB materiality grid, NGO reports, broker research, etc.). This matrix enables us to identify the degree of impact of each sector on biodiversity.

On this basis, we have integrated biodiversity protection issues into our analyses of companies in several ways, when this issue is material:

- **Within the GREaT rating model**: A dedicated criterion is integrated into the analysis of a company's environmental policy, by means of a specific question on biodiversity management.
- **[ POSITIVE IMPACT / SOLIDAIRE ] Within the "SDG Score"**: The theme of biodiversity is also included several times in our score, both in the analysis of the products and services distributed by the company ("Solutions" Score) and in the analysis of the responsible conduct of their activities ("Initiatives" Score).
- **[ CLIMATE ] Within the "Climate and Biodiversity Maturity Score"** : We have integrated the theme of biodiversity into our Climate and Biodiversity Maturity methodology. The inclusion of biodiversity is conditional on the degree (high or low) of impact of each company's sector on this theme. We also measure the net positive contribution to biodiversity of the companies in this mutual fund's "Solutions" pocket, and analyze two specific SDGs, relating to aquatic life (SDG 14) and terrestrial life (SDG 15). For details of how the Climate and Biodiversity Maturity Score is calculated, see section 4.1.

Given the paucity of information available to date on how companies take this issue into account, and the lack of maturity of existing data and methodologies, our approach to managing this issue is part of a dynamic of continuous improvement. To this end, at the end of 2020, we joined the Finance for Biodiversity Foundation's initiative, and are committed to integrating biodiversity criteria into our analyses, measuring the impact of our investments, publishing them transparently and engaging with companies on the subject by 2024.

### 3.5. What is the methodology used for ESG analysis and evaluation of issuers (construction, evaluation scale, etc.)?

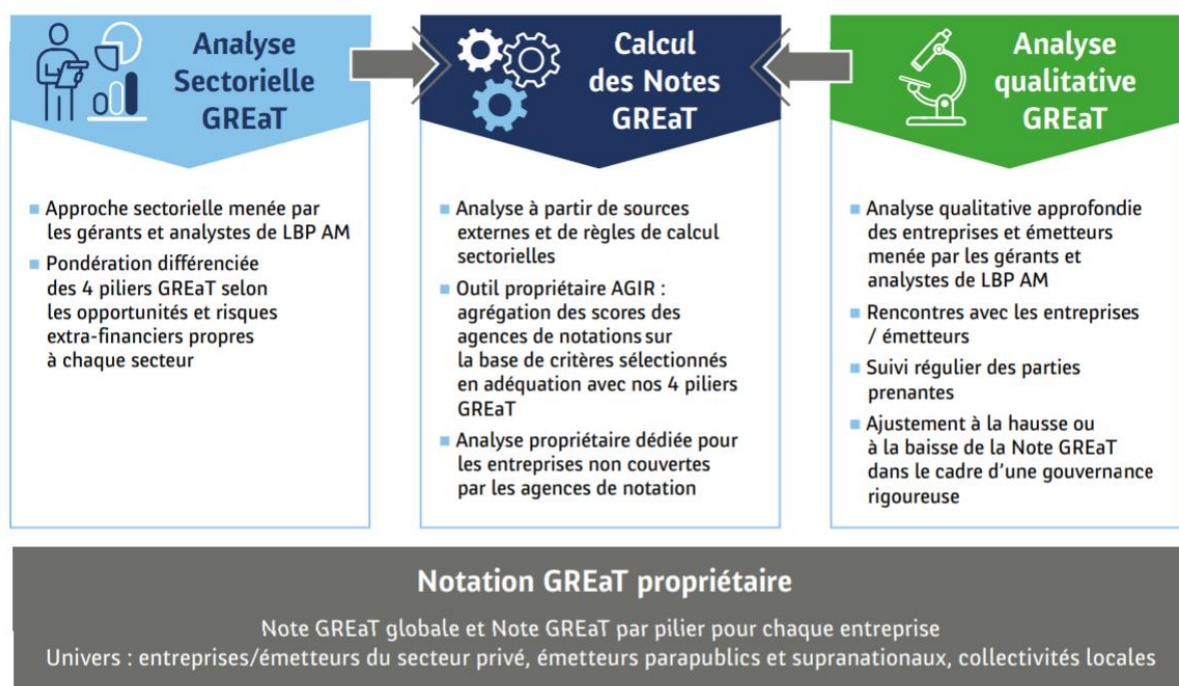
- ESG rating :

The GREaT methodology is applied to companies covered by the extra-financial rating agencies we work with.

The strength of our model lies in :

- Extensive coverage of 12,000 transmitters,
- Increased reliability and responsiveness of ESG ratings thanks to the multiplicity and complementarity of assessment sources,
- A model that evaluates both practices and the sustainability of business models,
- A rating that reflects our convictions in the field of sustainable development.

This approach is based on three stages:



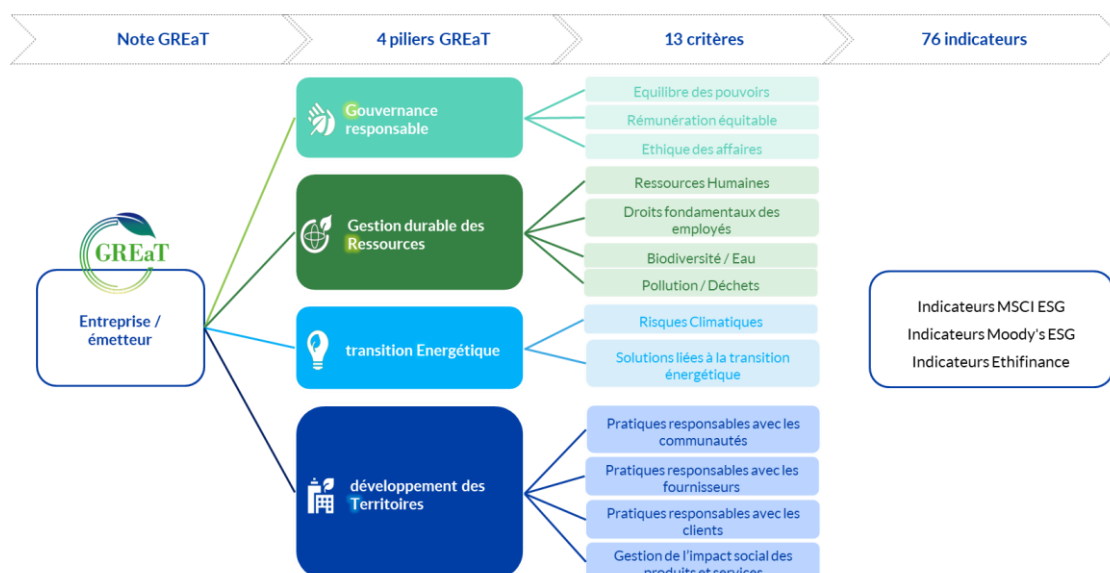
At the end of these three steps, each issuer in our universe has a GREaT Score, on a scale from 10 (high ESG quality) to 1 (low ESG quality).

#### Sector analysis

Using external data (from rating agencies, analysts, NGOs, think tanks, etc.), SRI analysts in the SRI Solutions team regularly assess the relative importance of the four GREaT pillars for each sector. This work feeds into the definition of the weighting of these pillars to reflect the relevance of the issues for each sector.

## Quantitative analysis

Quantitative SRI rating is fed by indicators collected from specialized rating agencies such as Moody's ESG, Ethifinance and MSCI ESG, which provide investors with databases compiling various elements relating to ESG criteria. For these agencies, chosen for their complementarity, we have selected over 76 indicators that are consistent with the 13 criteria and 4 GREaT pillars.



The scores provided by Moody's ESG, Ethifinance and MSCI ESG Research are then aggregated in the LBP AM Group's internal calculation tool, called AGIR, to produce GREaT ratings for issuers.

## Key points to remember:

- The universe is made up of 12,000 issuers across four geographic zones (developed Europe, North America, emerging markets and Asia-Pacific).
- This methodology covers all the Environment, Social and Governance pillars, as detailed in paragraph 3.3.
- The rating scale ranges from 0 to 10, with 10 being the highest.
- The weighting given to each of the pillar sub-themes was determined by the LBP AM Group's SRI Solutions team.
- The weight of E, S or G pillars is always greater than 20%.

## Qualitative analysis

Fundamental analysts conduct a qualitative analysis of private issuers, drawing on recognized internal and external research sources and their detailed knowledge of issuers. They can draw on the opinions of corporate stakeholders (NGOs, trade unions, international institutions, the media, etc.) and data from meetings with companies.

Analysts also have access to data from specialized suppliers (e.g. MSCI, ISS for governance practices), or generalists (Bloomberg, Factset).

Qualitative analysis is an additional step to quantitative analysis. The AGIR rating tool is reinforced by the adjustment process. Each manager and analyst can submit a request for an adjustment to the rating calculated by the AGIR tool for an issuer. These qualitative adjustments add value to the strictly quantitative analysis:

- Increased reactivity, to integrate recent positive or negative information that has not yet been incorporated into the agencies' ratings,
- Increased reliability, when we detect contradictory information from agencies,
- Improved quality, to take account of additional public information gathered as part of the regular dialogue with the issuer,
- Gain in completeness, through the ability to delve deeper into certain issues with the issuer's stakeholders, beyond the analysis carried out by the agencies.

To guarantee rigor and traceability, these adjustment requests are systematically studied by the RI Research team, who are responsible for validating or rejecting requests.

Particular attention is also paid to the quality of corporate governance in portfolio companies. A qualitative analysis dedicated to corporate governance is carried out by the management teams.

- **ESG Interview :**

As part of the [ POSITIVE IMPACT / SOLIDAIRE ] + [ CLIMATE ]+ [ HEALTH ] process, the ESG interview is systematic. It is an opportunity for us to delve deeper into the themes on which we lacked information during our documentary analysis, and to challenge companies on their key issues. This stage is essential, especially for smaller companies. It enables us to obtain additional information and not penalize them prohibitively for their lack of transparency (often linked to a lack of human resources dedicated to these subjects internally, rather than to their lack of commitment to ESG issues). It also enables us to take a critical look at the information publicly communicated by the company, and to guard against the risks of "greenwashing".

- **Commitment:** In line with the requirements of the French government's latest SRI label specifications, from January 2025, commitments will be made to label funds for the following issuers:

- Portfolio issuers that do not publish one or more performance indicators selected by the FUND and for which the LBP AM Group considers that they are material in view of the ESG issues identified.
- Portfolio issuers with a transition strategy in line with the Paris Agreement as defined by the SRI label, whose observed results are not in line with the defined objectives.
- In the case of funds with a rating improvement approach, the issuers in the portfolio are among the worst 25% of the initial investment universe in terms of ESG rating. These issuers are systematically subject to an ESG commitment whose maximum

duration may not exceed 3 years (including potential escalations). The issuer may not be retained in the portfolio if no improvement is observed at the end of this timeframe.

For more information on our approach to engagement with portfolio companies, please consult the LBP AM Group [Engagement Policy](#).

In addition to the individual engagement approach with companies, in 2019 La Financière de l'Echiquier initiated a collaborative engagement approach, alongside other players such as asset management companies. Several initiatives have been joined, enabling us to address with companies issues that are more difficult to tackle individually. You will find details of the initiatives in which we have participated in paragraph 2.7 of this document, as well as in our report on the exercise of voting and engagement rights.

- **Voting:** At La Financière de l'Echiquier, voting is an integral part of our approach as a responsible investor, and in particular of our responsibility as a shareholder. In this context, we are committed to voting systematically for all our mutual funds, regardless of the percentage of capital or voting rights held. Voting activities are based on a [Voting Policy](#) specific to La Financière de l'Echiquier, which is freely available on our website in the "Responsible Investment" section, on the "[To find out more](#)" page, under the heading "LFDE Documents - Voting and Commitment". Within this framework, we carefully study any resolution that could prove unfavorable to the company's interests or those of minority shareholders, as well as resolutions of an environmental or social nature.

### 3.6. How often are issuers' ESG ratings reviewed? How are controversies handled?

#### Revision frequency :

On average, the external agencies Moody's ESG and MSCI ESG Research update their analysis of a company every 12 to 24 months, but it can be adjusted at any time to take account of events, including controversies and alerts that may affect a company's rating positively or negatively.

We receive data from Moody's ESG and MSCI ESG Research on a monthly basis.

The LBP AM Group's proprietary rating tool, GREAT 360, is updated twice a year.

**[ POSITIVE IMPACT / SOLIDAIRE ]**+ **[ HEALTH ]** : The "SDG Score" and "AAAA Score" proprietary impact scores are reviewed every two years.

**[CLIMATE ]** : In the framework of the fund Echiquier Climate & Biodiversity Impact Europe, the rate of revision of the "Climate and Biodiversity Maturity Score" (MCB) depends on the pockets.

- For companies in the Solutions and Pioneers pockets, the score is reviewed every two years.
- For companies in the Transition pocket, the score is revised every year. This frequent updating is important in order to closely monitor the climate maturity of companies in transition, a theme at the heart of the fund's management process. We expect companies to improve their MCB score, to reflect the positive dynamics of the business. Therefore,

- If the MCB score falls, the company is removed from the portfolio.
- If the MCB score stagnates, a commitment is made to the company for 1 year. At the end of this period, if their score drops or remains stagnant, the company is removed from the portfolio.

### Monitoring controversies :

Controversies are monitored through two main channels: GREaT scores and the normative exclusion policy.

On the one hand, controversy indicators from our data suppliers are integrated directly into various GREaT criteria, enabling us to quantitatively monitor issuers on environmental, social and governance controversies.

In addition, the LBP AM Group's normative exclusion policy states that the management company may exclude companies for which there is an unacceptable risk that they are causing or contributing to particularly serious human rights violations or serious environmental damage, and for which exclusion is the most effective means of redfunding the risk of continued violation.

LBP AM's SRI Solutions team, made up of thematic experts, carries out a double identification process: quantitative (via our data providers, in order to identify the most serious controversies for which there is no effective remediation) and qualitative (identification of a critical risk in terms of human rights and the environment). Identified companies are included in the normative watch list. All issuers on the list are subject to enhanced due diligence, conducted jointly by the SRI Solutions team and the management teams, and presented to the GREaT Committee.

In line with the LBP AM Group's normative exclusion policy, a normative watch list has been set up, made up of issuers presenting a risk of critical impact on human rights or the environment, via careful monitoring of controversies, but also from external resources (NGO reports, specialized platforms such as the Business and Human Rights Resource Center...) or following alerts from third-party stakeholders. Enhanced due diligence is carried out on issuers on the normative watch list, in order to analyze the severity and extent of the violation or risk, the likelihood of future violations of LBP AM's core ethical standards, the due diligence implemented within the company and their leverage effect on the company under review.

The GREaT Committee bases its decisions on an assessment of the severity and extent of the breaches, the link between the breach and the company, the remediation implemented by the company, and the likelihood of future breaches of the standards by that company. The LBP AM Group also takes into account the company's governance and risk management, in order to determine whether the company is implementing due diligence in line with the expectations of the Group's fundamental ethical standards, and effectively redfunding the risk of future breaches of the standards.

In accordance with Principle 19 of the United Nations Guiding Principles on Business and Human Rights (UNGPR), before the GREaT Committee takes a decision to exclude a company, it must consider whether



other measures, such as shareholder engagement, might be more appropriate to reduce the risk of future violations of the standards. The final decision, adopted by the GREaT Committee, must aim, as far as possible, to reduce and mitigate the risk of future breaches of the Standards. The GREaT Committee may therefore adopt the following measures:

- The issuer's commitment, bilaterally or collectively,
- Deterioration in the issuer's GREaT scores,
- Enhanced surveillance (issuers remain on the normative surveillance list to monitor the development of the controversy, i.e. the ability of the issuer concerned to remedy the impact and adopt measures to prevent it in the future),
- Freeze or suspend,
- Exclusion.

## 4. MANAGEMENT PROCESS

### 4.1 How are ESG research results factored into portfolio construction?

ESG analysis is based on the in-house expertise of LFDE's asset managers, on a rating system developed and supplied by the LBP AM Group, and on external resources (brokers, academic research, meetings with companies).

Stock selection is a two-stage process: the first involves filtering a universe of stocks based on socially responsible investment (SRI) criteria, and the second involves selecting stocks on the basis of their financial and extra-financial characteristics.

#### 1. Analysis of the investment universe and application of an SRI filter

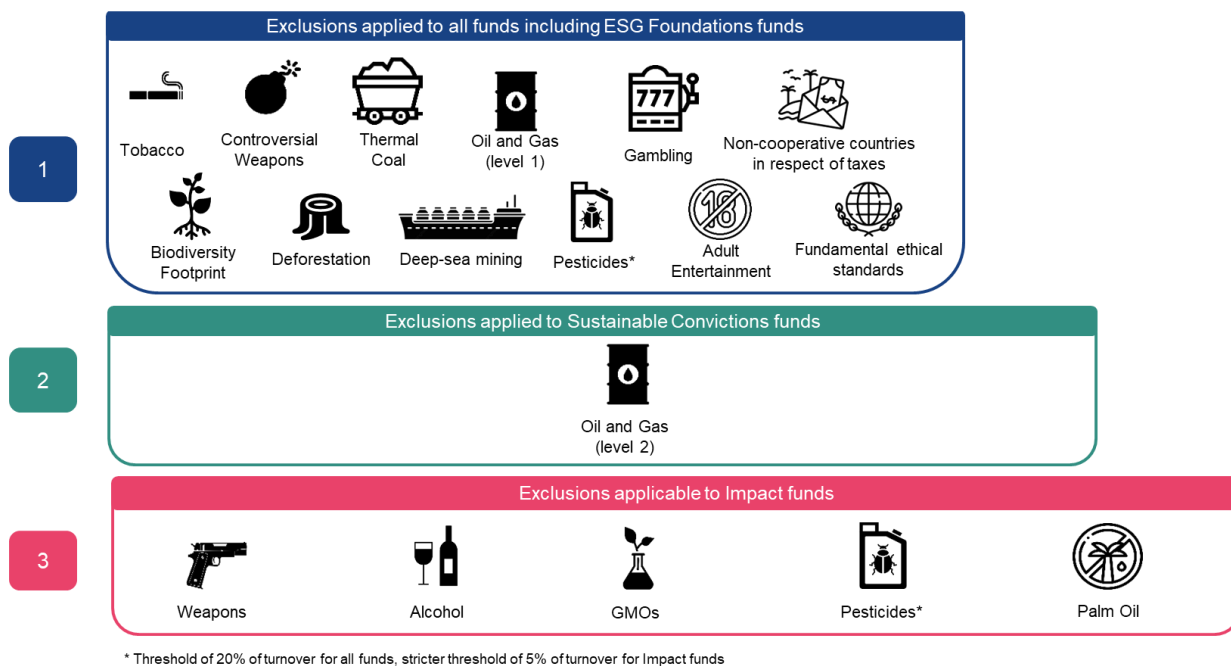
In accordance with the SRI Label specifications updated to 01/03/2024, the investment universe of each fund is reduced by 25% using a so-called exclusion method. This is done in 2 stages:

##### - **FILTER EXCLUSION :**

ESG research on sectoral and normative exclusions has an impact on the portfolio construction of all SRI-labeled funds.

As part of its exclusion policy, LFDE has decided to exclude from its investments a number of sectors and practices that are said to be morally and/or ethically controversial. The exclusion of these activities is the result of in-depth analyses, the main conclusions of which are presented in this document. The scope of these exclusions varies. We have defined 3 categories of FUND, each with its own set of exclusions.

All category 1 exclusions apply to all funds managed by LFDE. They are in line with the exclusion policy of the LBP AM Group, of which LFDE is a subsidiary. Additional exclusions mean that a Sustainable Conviction fund will exclude category 1 and 2 activities, while an Impact fund will exclude category 1, 2 and 3 activities. Rare exceptions and derogations may exist, and are detailed within this policy.



1. **Exclusions applicable to all Funds of the LBP AM Group, of which LFDE is a subsidiary :**

- **Sectoral:** Controversial weapons, fiscally uncooperative countries, tobacco, thermal coal, oil and gas (level 1), biodiversity footprint, deep-sea mining, deforestation, pesticides, gambling, pornography
- **Normative:** In line with the LBP AM Group's normative exclusion policy, LFDE excludes companies for which there is an unacceptable risk that they cause, contribute to or are linked to particularly serious violations of ethical standards, and for which exclusion is the most effective lever for redfunding the risk of continued and future violations of international standards (UN Global Compact, OECD Guidelines for Multinational Enterprises and UN Guiding Principles on Business and Human Rights).

2. **Additional exclusions applicable to SRI-labeled funds: Oil and gas (level 2),** in line with the requirements for exclusions relating to oil and gas as described in Appendix 7 of the Standards available on the [label website](#).

3. **Additional exclusions applicable to Impact Funds:** Armaments, alcohol, OMG, pesticides, palm oil.

For all Funds, we also exclude companies affected by the US "[Executive Order 13959](#)" sanctions.

To find out more about thresholds and application procedures, a set of documentation is available free of charge on our website in the "Responsible Investment" section, on the "[To find out more](#)" page. Please consult :

- La Financière de l'Echiquier's [Exclusion Policy](#),
- La Financière de l'Echiquier's [Coal Policy](#),
- LBP AM's [Climate Policy](#),
- LBP AM's [Oil & Gas Policy](#),
- LBP AM's [Biodiversity Policy](#).

Our exclusion policy is in line with the requirements of the French government's SRI label.

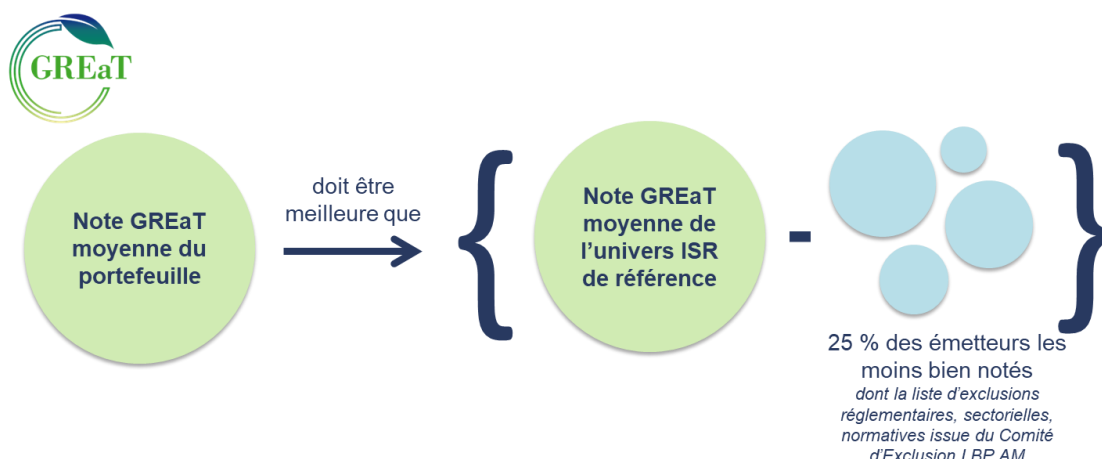
#### - FILTER ESG RATING:

In the case of SRI-labeled mutual funds, ESG research plays a particularly important role in portfolio construction.

La Financière de l'Echiquier's parent company, LBP AM Group, offers its clients its GREaT 360 rating platform. Each stock has a GREaT summary score that covers the various ESG issues, and a score for each pillar and sub-pillar. The best score is 10, the worst 1.

On this basis, Funds apply one of two approaches:

- **Selectivity approach:** At the end of these two stages, the investment universe is reduced by at least 25% by excluding stocks from the fund's exclusion list and those with the lowest GREaT scores.
- **Rating improvement approach:** The average GREaT Score of the portfolio must be better than the average GREaT Score of the comparison universe, after exclusion of 25% of issuers (lowest-rated issuers and issuers placed on the exclusion list).



**Focus on the methodology used to calculate the selectivity rate:** The selectivity rate is the percentage reduction between the benchmark SRI universe and a fund's investable universe. It is calculated by adding together the weight of all the stocks in the SRI reference universe that are on one of the exclusion lists associated with the Funds, and the weight of all the stocks in the SRI reference universe whose GREaT score is below the pivot score. The pivotal score designates the last value accepted in the investable universe to obtain a selectivity rate defined by the SRI Label, 25% in 2025 (30% from 2026).

To obtain the pivot score, perform the following steps:

1. We calculate the weight of all the stocks in the reference SRI universe that are on one of the exclusion lists associated with the FUND,
2. The remaining values are ranked by their GREaT score, from highest to lowest,
3. We exclude the worst-performing stocks according to their GREaT score until we reach the selectivity rate required by the SRI label (25% by 2025, or 30% from 2026 onwards).

[ POSITIVE IMPACT / SOLIDAIRE ] + [ CLIMATE ] + [ HEALTH ] The Impact scores used in our impact funds and detailed below are therefore not taken into consideration in the calculation, but nevertheless reinforce the level of selectivity of the FUND.

**Focus on qualitative governance analysis:** La Financière de l'Echiquier's management teams carry out a qualitative analysis of the governance quality of the companies in their portfolios. This analysis takes the form of a letter grade ranging from A to G for the worst governance profiles. It covers four issues:

- The competence of the management team
- The Council and counter-powers
- Respect for minority shareholders
- Non-financial risk assessment and management

As part of the qualitative governance analysis, a review of the severity of controversies and the company's remedial actions is carried out. In this way, a malus linked to controversies can downgrade the rating. This governance analysis strengthens the investment case, as well as our knowledge of the material issues and controversies surrounding the stocks in our portfolio. It can constrain the manager's stock selection.

#### IMPACT FILTER :

LFDE's impact investment approach is based on its impact doctrine, formalized in 2021. It is inspired by the work carried out in the marketplace on impact investment in listed markets (FIR/France Invest, GIIN and Institut de la Finance Durable). Its aim is to provide a framework for LFDE's impact investment strategies. Our impact doctrine is based on three pillars:

1. **Intentionality:** The intention to generate a positive environmental and/or social impact is the starting point of any impact investment approach. Its implementation is based on an impact thesis, the definition of ex ante impact objectives associated with precise indicators, robust governance, dedicated internal resources...
2. **Additionality:** This refers to the investor's specific and direct contribution, enabling the invested company or financed project to increase the net positive impact generated by its activities. For LFDE, this means holding the capital of invested companies for a long time, and maintaining an ongoing dialogue with them...
3. **Measurability:** Measuring the impact of investments and the impact of the FUND is crucial to increasing transparency on the reality of the impact of customers' investments, as well as monitoring progress towards previously established impact objectives. These measurements, carried out with the support of independent experts, are integrated into the remuneration scheme of impact fund managers.

All Impact funds launched by LFDE must comply with this impact doctrine.

[ POSITIVE IMPACT / SOLIDAIRE ] Echiquier Positive Impact Europe and Echiquier Impact et Solidaire invest only in companies that make a positive contribution to the UN's Sustainable Development Goals (SDGs). To this end, we have set up an "Impact" filter, enabling us to include in our investment universe

only companies that have made a **net positive contribution** to these goals. To identify them, we have set up a 100-point "SDG Score" (ranging from -100 to +100) which is the average of two net scores, the "Solutions" Score and the "Initiatives" Score, as detailed below:

- a. **Solutions score** out of 100 points: this score measures the percentage of sales that the company makes in net contribution to one or more of the nine SDGs selected by the RI Research team. These nine SDGs were selected from among the seventeen identified by the UN for their strong economic materiality. In the event that a company analyzed also had a portion of its sales making a negative contribution to one or more of these nine SDGs, this percentage would then be reduced by its negative contribution. This is referred to as a **net positive contribution**. Each company's contribution is allocated to the targets underlying the nine selected SDGs, which are as follows:

- 1.SDG 3: Good health and well-being. Here we measure the percentage of sales in the health, insurance or road safety sectors.
- 2.SDG 4: Quality education. Here we measure the percentage of sales in the education sector.
- 3.SDG 6: Clean water and sanitation. Here we measure the percentage of sales generated by water saving, treatment and access solutions.
- 4.SDG 7: Clean and affordable energy. Here we measure the percentage of sales in the clean energy and energy efficiency sectors.
- 5.SDG 8: Decent work and economic growth. Here we measure the percentage of sales in sustainable tourism, supply chain audits and productivity tools.
- 6.SDG 9: Industry, innovation and infrastructure. Here we measure the percentage of sales generated by new production techniques, information technologies and digitalization.
- 7.SDG 11: Sustainable cities and communities. Here we measure the percentage of sales in solutions for smart cities (buildings, mobility, urban planning, etc.), safety, sustainable mobility, CO2 reduction solutions, air quality and waste management.
- 8.SDG 12: Responsible consumption and production. Here we measure the percentage of sales linked to the sale of products with a positive environmental impact and/or eco-designed, to dematerialization, to responsible food or to the recycling sector.
- 9.SDG 16: Peace, justice and effective institutions. Here we measure the percentage of sales in solutions for effective institutions, the eradication of the underground economy, the fight against corruption and cybersecurity.

This reading grid is the fruit of our own interpretation and internal work based on the precise UN guidelines (objectives and targets) and on dialogue with our stakeholders and the SDG ecosystem. A minimum threshold of 20% of sales, contributing positively (net contribution) to one or more of the nine SDGs described above, is required in order to integrate the portfolio. The calculation of the "Solutions Score" is based on the equivalence: 10% of sales = 10 points.

- b. **Initiatives score** out of 100 points: this score measures a company's net positive contribution to the UN's seventeen SDGs in relation to the various significant actions and initiatives it can implement on environmental, social and societal aspects. For each of the seventeen SDGs, the SRI Research team has established one or more significant and high-



impact initiatives that the company can intentionally implement to contribute to them. On the contrary, if the company's actions contravene one or more of these SDGs, it will be penalized in equivalent proportions. Each initiative is equally weighted in the calculation of the score. The contribution made by companies through their initiatives is linked to the targets of the seventeen SDGs. The net sum of all initiatives (positive and negative) undertaken by the company determines its "Initiatives" Score.

Since 2021, we have decided to attach the points awarded to each company, under these two scores, to the targets of each of the SDGs in order to give more granularity to our analysis and ensure the precise contribution of each company.

The average of these two net scores enables us to determine each issuer's "SDG Score". In the context of this impact filter, for an issuer to be included in the Echiquier Positive Impact Europe portfolio, it must obtain both a minimum "Solutions" Score of 20/100 (i.e. 20% net positive contribution of its sales to the 9 selected SDGs) and an "SDG Score" of 25/100.

**[CLIMATE ]** Echiquier Climate & Biodiversity Impact Europe is subject to an impact filter based on our proprietary Climate and Biodiversity Maturity Score (MCB), reflecting the level of progress (measured in %) made by companies in addressing climate and biodiversity issues. This indicator is the fruit of the management team's expertise and the iterative advice provided by I Care. It integrates qualitative and quantitative elements, both retrospective and prospective, to measure a company's maturity in addressing climate change and biodiversity loss.

The extent to which biodiversity is taken into account depends on the degree (high or low) of impact of each company's sector on this theme.

CLIMATE AND BIODIVERSITY MATURITY SCORE	HIGH IMPACT ON BIODIVERSITY	LOW IMPACT ON BIODIVERSITY
CLIMATE GOVERNANCE	30%	30%
CLIMATE COMMITMENT	30%	60%
BIODIVERSITY COMMITMENT	30%	0%
JUST TRANSITION	10%	10%
CLIMATE AND BIODIVERSITY CONTROVERSIES	max. - 20%	max. - 20%

Thus, depending on the weight of biodiversity in the MCB score, the analysis of each company is based on 3 or 4 pillars:

- **CLIMATE GOVERNANCE**  
**. Governance of the climate strategy:** Involvement of the Managing Director, the Board of...

- . **Inclusion of climate criteria in the remuneration scheme for the Chief Executive Officer**
- . **Level of climate expertise on the Board:** profiles and/or committees relevant to the company's climate issues on the Board of Directors.
- . **Taking transition risk into account:** identifying, analyzing and managing transition risk.
- . **Taking physical risk into account:** identifying, analyzing and managing physical risks.

- **CLIMATE COMMITMENT**

- . **Climate roadmap:** quantified emission reduction targets, choice of appropriate climate indicators.
- . **Integrating the climate into the supply chain:** process and quality of checks on suppliers' environmental and climate practices.
- . **Past carbon trajectory:** history of carbon intensity over the last 3 years in comparison with the Paris climate agreement target, membership of climate initiatives or authoritative external recognitions (e.g. SBT, ACT, RE100, CDP (A or A-)).

- **BIODIVERSITY COMMITMENT (if high impact)**

- . **Biodiversity roadmap:** quantified targets and implementation of biodiversity indicators relevant to the company, process and quality of checks on suppliers' biodiversity practices, influence of suppliers' practices on biodiversity.
- . **External recognition on the subject:** membership of climate initiatives (cf. SBT), recognition through a good score in external certifications (cf. CDP Water and/or Forest, Carbon4 Finance BIA score, Forest500).
- . **Positioning the company in relation to the 4 pressures on biodiversity (habitat change, pollution, overexploitation of resources, invasive species):** analysis of exposure, identification and management of the four pressures, when material, for the company.

- **JUST TRANSITION**

- . **Employment consequences of the company's climate trajectory:** identifying and managing the risk of restructuring, job destruction linked to the climate trajectory.
- . **Accessibility of products and services resulting from the climate trajectory:** potential impact of the energy and ecological transition on the price of the company's products and services.

- **CLIMATE CONTROVERSIES:** A malus is applied to the company's MCB score in the event of climate-related controversies. For this, we use MSCI ESG Research and consider only climate-related controversies (e.g. CO2 emissions or other greenhouse gases, soil or ocean degradation, etc.). Depending on the level of severity, a malus is applied to the MCB score, ranging from 0% to -20% with a granularity of 5%.

The fund is organized into three pockets, enabling issuers to be assessed differently according to their degree of maturity in taking climate issues into account. A minimum MCB score has been defined for each of these three pockets, and is used to select the companies in the portfolio:

- o **Solutions Pocket:** Companies offering concrete solutions to climate and biodiversity issues through their products and/or services. To be eligible, these companies must obtain both :

- A minimum MCB score of 40%.
- A "Solutions" score (see "SDG Score" methodology) of over 20% (% of net sales contributing to SDG 7 and/or 11 on climate and SDG 14 and/or 15 on biodiversity).

SDGs 14 and 15 are not included in the list of SDGs used in the **[ POSITIVE IMPACT / SOLIDAIRE ]** methodology. These SDGs are only used for companies in the "Solution" pocket of the **[ CLIMATE ]** fund. They relate to :

- SDG 14: Aquatic life. Here we measure the percentage of sales linked to the conservation and sustainable use of oceans, seas and marine resources.
- SDG 15: Life on Earth. Here we measure the percentage of sales linked to preserving and restoring terrestrial ecosystems, ensuring that they are used sustainably, managing forests sustainably, combating desertification, halting and reversing land degradation and halting the loss of biodiversity.
- **Pioneer Pocket:** Companies that have already embarked on an ambitious and successful climate transition process. For these companies, a minimum MCB score of 60% and a commitment to SBT (*Science Based Targets*) and/or SBTN (*Science Based Targets Nature*) are required. This commitment must be at Committed or Targets Set level. If biodiversity is taken into account in the weighting of the score, the score for the Climate Commitment pillar and that for the Biodiversity Commitment pillar must be at least 20 out of 30, so that one pillar is not favored to the detriment of the other.
- **Transition Pocket:** Companies that have not yet begun or are in the early stages of their climate transition. For these companies, a minimum MCB score of 40%, updated annually, is required. Where biodiversity is taken into account in the weighting of the score, the score for the Climate Commitment pillar and that for the Biodiversity Commitment pillar must be at least 10 out of 30, so that one pillar is not favored to the detriment of the other.

**[HEALTH]** Echiquier Health Impact For All is a mutual fund invested in companies whose innovations improve access to healthcare. A proprietary impact methodology dedicated to access to healthcare has been developed, enabling us to establish the "AAAA Score". Two reference frameworks have shaped fund's impact methodology:

- The four issues of access to health defined by the World Health Organization (WHO)
- The philosophy of European taxonomy.

In order to identify companies that contribute to improving access to healthcare, our methodology contains two steps:

- **Do No Significant Harm (DNSH):** The fund will only invest in companies whose practices do not contribute negatively to one (or more) of the four access-to-health issues described above. For each issue, several points of vigilance have been identified. For each of them, up to three levels of practice have been defined:

- **GO:** This status means that the company has implemented demanding, benchmark practices in relation to the identified issue.
  - **COMMITMENT:** This status means that the company's position on the identified issue is correct, but could be improved. This status will enable us to identify an area for commitment that the management team will discuss with the company.
  - **NO GO:** This status means that the company is causing significant harm to the identified stake. A company with a NO GO will not be investable. The following points, for example, could trigger a NO GO (proven lies about the efficacy and results of clinical trials, resale of patient data of a commercial nature, e.g. to insurers, etc.).
- **Substantial contribution:** The fund will only invest in companies whose sales contribute at least 20% to one or more of the four access issues established by our methodology:
- o **Availability:** Products and services that improve the availability of caregivers and treatments for poorly covered diseases.  
*Examples: surgical support thanks to artificial intelligence and robotics, training or simulation software to enhance the skills of nursing staff, malaria vaccines...*
  - o **Geographical Accessibility:** Products and services that improve patient autonomy and medical coverage of healthcare.  
*Examples: teleconsultations, remote-controlled robots for remote interventions, treatments that can be administered at home rather than in hospital...*
  - o **Affordability:** Products and services that improve patients' financial ability to access quality medical services and/or public payers.  
*Examples: Policy of disseminating low-cost treatments for "bottom of the pyramid" populations in developing countries, more effective and less costly in-vitro diagnostic methods...*
  - o **Acceptability:** Products and services that improve patient confidence and comfort in healthcare treatments and services.  
*Examples: treatment by ingestion rather than injection, less intrusive and less painful diagnostic methods...*

To find out more about the "AAAA Score" and the various issues included in our analysis, please refer to the fund Echiquier Health Impact For All Thesis available on our website.

All the impact assessment methodologies presented above for our Impact funds are part of a dual materiality approach to companies, and focus in particular on assessing the impact of companies on society and the environment (materiality impact).

## 4.2 How are climate change criteria taken into account in portfolio construction?

Climate change criteria are taken into account at 3 levels when defining the investment universe and building the portfolio:

1. Investments in the mining and power generation sectors are limited to companies that have announced a managed exit from coal, and are aligned with the Paris Agreement. Otherwise, companies are placed on the LBP AM Group's exclusion list.
2. Greenhouse gas emissions are taken into account in the GREaT score, more specifically in the Energy Transition pillar, and funds may not invest in the lowest-rated issuers (exclusion of 25% of the universe). Environmental issues have a minimum 20% impact on an issuer's final GREaT score.
3. Manager-analysts monitor the carbon intensity of their portfolios in relation to their comparator universes.

**[ POSITIVE IMPACT / SOLIDAIRE ]** : In the specific case of Echiquier Positive Impact Europe and Echiquier Impact et Solidaire, climate change criteria are also taken into account in portfolio construction through a selection, via the "Solutions Score", of issuers with a net positive contribution of at least 20% of their sales to the SDGs, including the following two:

- o SDG 7: Clean and affordable energy
- o SDG 11: Sustainable cities and communities

**[CLIMATE ]** : In the specific case of the fund Echiquier Climate & Biodiversity Impact Europe, criteria relating to climate change are taken into account in a very significant way through the use of the MCB Score developed in paragraph 4.1. Aggregated climate data at portfolio level is also integrated into management on an iterative basis, such as temperature, green share and physical risk.

## 4.3 How are issuers in the fund's portfolio that are not subject to ESG analysis (outside the fund) taken into account?

In cases where a stock is not tracked by MSCI/Moody's/Ethifinance (low market capitalization, recent IPO), LFDE's manager-analysts can carry out a qualitative analysis of the company's ESG issues, and submit them to LFDE's SRI analysts for validation for integration into the GREaT 360 tool, with a median score for the sector cluster.

ESG ratings must cover at least 90% of net portfolio assets, calculated on securities eligible for ESG analysis.

#### 4.4 Has the ESG assessment and/or management process changed in the last twelve months?

Our ESG evaluation process is updated annually. This enables us to adapt it to changes in the ESG practices of companies and in the SRI market.

In recent months, major changes have affected the management processes of the mutual funds managed by La Financière de l'Echiquier.

- **Exclusions:** Following our various efforts to harmonize the exclusion policies of Groupe LBP AM and LFDE, several changes have been made to the common base of exclusions applied to all funds:

1. **Since April 1, 2024:** widening of the exclusion perimeter to include controversial weapons and the entire tobacco value chain, addition of gambling to the common base (previously excluded only for Sustainable Convictions and Impact funds), changes to certain exclusion thresholds and to the perimeter of funds subject to the derogable criteria on thermal coal, and adoption of LBP AM's normative exclusion policy.
2. **Since October 1, 2024:** extension of exclusions in the common base to the theme of biodiversity, including the addition of the significant biodiversity footprint, deforestation and pesticides (previously excluded only for Impact funds), change in the threshold for excluding pesticides to 20% for the common base (exception: stricter threshold of 5% for Impact funds), removal of the exclusion of recreational cannabis.
3. **Since January 1, 2025:** extension of exclusions in the common base to the theme of pornography (previously excluded only for Sustainable Convictions and Impact funds), restriction of the scope of the conventional armaments exclusion to Impact funds (previously to Sustainable Convictions funds). Development of the LBP AM Group's Oil & Gas policy (and therefore that of its subsidiary LFDE), comprising 2 levels: 1<sup>st</sup> level for all funds, 2<sup>nd</sup> level for all SRI-labeled funds.

LFDE's entire exclusion policy, including its Oil & Gas policy, is in line with the exclusion requirements described in Appendix 7 of the Standards available on the label website.

- **Convergence of the ESG rating model:** La Financière de l'Echiquier, as a subsidiary of the LBP AM Group, has fully converged its SRI approach to that presented in this document. Since January 1, 2025, the ESG analysis of portfolio companies has been based on the LBP AM Group's proprietary tool: GREaT. This is a quantitative model based on 4 pillars: Energy Transition, Sustainable Resource Management, Responsible Governance and Territorial Development. All controls linked to the rating model have also been revised. Details of these changes can be found in paragraph 4.1, which describes the fund management process, and in paragraph 5.1, which describes the controls in place.
- **Review of certain processes to meet the expectations of SRI Label V3:** Since January 1, the selectivity rate for SRI-labeled funds has been raised to 25%. SRI-labeled funds have selected 2 sustainability indicators from the list of PAI indicators in the SFDR regulations, and are committed to outperforming them in relation to their investment universe. As mentioned above, LFDE's entire exclusion policy, including the Oil & Gas policy, is in line with the requirements for exclusions as described in Appendix 7 of the Standards available on the label website. Details of these changes can be found in paragraph 4.1, which details the fund management process.



#### 4.5 Are a portion of mutual fund assets invested in socially responsible organizations?

**[ SOLIDAIRE ]** Echiquier Impact et Solidaire is a solidarity impact fund that invests between 5% and 10% of its net assets in a solidarity SPF. This FPS aims to invest 80% of its assets in unlisted companies with a social and environmental impact, including a minimum of 35% in unlisted securities of Entreprises Solidaires d'Utilité Sociale (ESUS) approved under article L3332-17-1 of the French Labor Code.

In addition, a management fee-sharing mechanism is in place for 5 mutual funds marketed by La Financière de l'Echiquier. For three of these funds, the beneficiary is the LBP AM Group Foundation, under the aegis of the Fondation de France, which supports community projects in the fields of education, social and professional integration, and health.

For each of these funds, La Financière de l'Echiquier collects an annual management fee. An amount is deducted from the total amount of management fees collected by each fund to make a donation to the charity concerned. Each fund contributes independently, according to its own assets, and the amount deducted depends on the rules specific to each fund:

**[ POSITIVE IMPACT ]**: Part of the fund's management fees is donated to the LBP AM Group Foundation (up to a maximum of €500K/year). In addition, the Board of Directors of the SICAV Echiquier Impact may decide to make an exceptional additional annual donation to the Foundation, which will also be deducted from the fund's management fees.

Other mutual funds that do not carry the SRI label also have this mechanism:

- **Echiquier Excelsior (A share)**: Part of the management fee is donated to the LBP AM Group Foundation (up to €100K/year from 2021).
- **Echiquier Agressor (Action P)**: Part of the management fee is donated to the LBP AM Group Foundation (up to €20K/year from 2021).

The RI Research team is involved in the choice of projects selected by the Foundation via a permanent seat on the Foundation's "Education" Commitment Committee. Funds collected from the 2023 management fees are made available to the Foundation as part of its 2024 budget, and set aside for the following year if they are not used in full.

With regard to **[ CLIMATE ]** and **[ HEALTH ]**, based on the management fees collected by the Funds acquired by La Financière de l'Echiquier, the Board of Directors of the SICAV Echiquier Impact decides each year on an amount to be allocated directly to one or more projects selected for their positive environmental and social impact. The Board of Directors will ensure that these projects are linked to the mutual funds' impact thesis.

**[ CLIMATE ]**: In line with its impact thesis, the fund wanted to support a project promoting the financing of a climate transition that was also a socially just transition. Since 2022, the beneficiary has been the "Osons ici et maintenant" association, which works for the social and professional integration of young people at a standstill in the ecological and social transition professions. As part of the redistribution of its management fees, the fund also contributes to the "Muséum pour la planète" endowment fund, which aims to help preserve biodiversity for future generations.

**[ HEALTH ]** : In connection with its impact thesis, the fund wanted to support a project to improve access to healthcare, with a particular focus on the issues of children's hospitalization and improving living conditions for carers. Since 2022, the beneficiary has been the "Les Petits Doudous" association, selected for its innovative approach and multi-faceted contribution to improving access to healthcare.

#### 4.6 Do mutual funds lend or borrow securities?

No, La Financière de l'Echiquier does not engage in securities lending/borrowing.

#### 4.7 Do mutual funds use derivatives?

Within the meaning of the French government's SRI label, LFDE's SRI-labeled funds use derivatives on a variable basis, ensuring that they do not run counter to the ESG objectives of each fund, and are not authorized to hold short positions:

- **[ POSITIVE IMPACT / SOLIDAIRE ]** + **[ CLIMATE ]** + **[ HEALTH ]** : The prospectus for these funds does not provide for the use of derivatives.

**Echiquier Major SRI Growth Europe**, **Echiquier Agenor SRI Mid Cap Europe** and **Echiquier Agenor Euro SRI Mid Cap** do not use derivatives, even though such instruments are permitted by law.

**Echiquier Alpha Major SRI** uses derivatives (mainly futures) as part of its ongoing hedging strategy, in order to reduce portfolio volatility. These transactions will be carried out up to a maximum of one time the fund's assets.

**Echiquier Credit SRI Europe**, **Echiquier High Yield SRI Europe** and **Echiquier Short Term Credit SRI** use derivatives (mainly futures) for hedging purposes only, in order to hedge the portfolio's interest-rate risk. These transactions will be carried out within the limit of one time the assets of each fund.

**Echiquier ARTY SRI** uses derivatives (mainly futures) for hedging purposes to cover the portfolio's interest-rate and currency risks. The fund uses options, *calls* and *puts* to mitigate equity risk and portfolio volatility. These transactions will be carried out within a limit of one time the assets of the FUND. It should be noted that the Fund's positions in derivatives whose underlying is not an index will only be long positions on the underlying (purchase of *calls* or sale of *puts*).

In conclusion, given that derivatives are rarely used in our mutual funds, we consider their impact on the SRI quality of portfolios to be negligible.

## 4.8 Do Funds invest in Funds?

The texts do not clearly specify the treatment of Funds (other than funds of funds), but our interpretation of them and market practices converge in the approach below.

- **Impact funds:** [ POSITIVE IMPACT / SOLIDAIRE ] + [ CLIMATE ]+ [ HEALTH ] are the only funds eligible for performance investment.

External Impact Funds are not eligible because, from the point of view of sustainable finance regulations, we must have a single methodology for evaluating so-called "sustainable" assets per management company, and we cannot therefore depend on the methodology of another management company.

Note: To invest cash in Impact Funds, we use a money market fund, giving preference to SRI-certified funds so that we can invest cash.

Exception: [ SOLIDAIRE ] Echiquier Impact et Solidaire may specifically invest up to 10% of its net assets in specialized professional funds (FPS). In practice, between 5% and 10% of its net assets will be invested in a FPS Solidaire whose objective is to invest 80% of its assets in unlisted companies with a social and environmental impact, including a minimum of 35% in unlisted securities of Entreprises Solidaires d'Utilité Sociale (ESUS) approved under article L3332-17-1 of the French Labor Code.

- **Sustainable Convictions funds:**

Funds eligible for performance investment are those with the same (or higher) level of ESG approach. An SRI-labeled fund may invest in a Sustainable Convictions or Impact fund.

For external Funds, membership of each of these categories is based on objective data (SRI label, SFDR categorization and/or our "SRI Maturity" methodology for extra-financial analysis of external Funds).

Note: For the investment of cash in Sustainable Convictions funds, funds will be considered as "ESG-rated" if they are internal funds (Convictions Durables) and if the external funds have equivalent ESG methods (ideally SRI-labelled or validated through the extra-financial analysis methodology of external funds, the "SRI Maturity").

## 5. ESG CONTROLS

### 5.1. What internal and/or external control procedures have been put in place to ensure that the portfolio complies with the ESG rules set for mutual fund management?

First of all, in addition to control procedures, all decisions on political and/or regulatory issues relating to Responsible Investment are taken in consultation with the team in charge of internal control at La Financière de l'Echiquier, and in accordance with the principles of the UN PRI.

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La Financière de l'Echiquier has set up a control plan to ensure that portfolios comply with the ESG rules laid down for their management.

A monitoring system has been set up at various levels:

#### INTERNAL CONTROL SYSTEMS :

The team in charge of internal control at La Financière de l'Echiquier is responsible for ensuring the effectiveness of all the controls in place - described opposite - to ensure that SRI-labelled portfolios comply with the ESG rules set for their management.

- A pre-trade blocking system prevents orders being placed on issuers/instruments that are not eligible for the portfolio (sector and normative exclusions, insufficient GREaT scores, missing Impact scores, 10% of the portfolio not covered by a GREaT score, 10% of the portfolio outside the universe, etc.).
- At the second level, fund managers can use the proprietary GREaT 360 platform to check that all a fund's SRI constraints are respected (selectivity rate, compliance with the pivot rating, evolution of the sustainability indicator scores tracked for the fund, etc.),
- At the third level, risk control verifies on an ongoing basis that the portfolio consists solely of issuers/instruments authorized under SRI management rules.

Post-trade checks are carried out using our Portfolio Management System (PMS) software, which performs a series of daily checks on the various fund portfolios. This level of control can identify any malfunctions in previous checks. In the event of non-compliance, the Middle Office and Risk teams are immediately alerted by the internal tool. After analysis of the situation, and if non-compliance is confirmed, an alert is sent directly to the fund managers concerned (with a copy to the department in charge of Internal Control). If the managers fail to take corrective action, an escalation process is set up. The Management Director will be informed of the situation, and if necessary, the entire Management Committee.

A similar control mechanism is in place to ensure that, in compliance with AMF Doctrine 2020-03, the weighted average GREaT score of each mutual fund is well above that of its investment universe (unadjusted).

#### EXTERNAL CONTROL DEVICES :

In the case of funds awarded the French government's SRI label, external audits are carried out by the label provider. In our case, this is the independent audit firm EY. The SRI label is awarded for a period of three years. Audits are carried out every year "on documents" and every three years "on site". Their purpose is to verify that our Funds comply with the practices and rules set out in this document, and that we meet our reporting obligations.

For SRI-labeled funds, as part of the monitoring of ESG performance indicators (paragraph 6.2) of the SRI label specifications, the team uses the GREaT platform to carry out its controls. This ensures that, at all times, the performance of Funds on the selected ESG performance indicators is superior to that of their benchmark indices. In the event of non-compliance, the fund's management team will be required to make the necessary changes to its portfolio - in the best interests of the investor - within a maximum of one month.

## 6. ESG PERFORMANCE MEASUREMENT AND REPORTING

### 6.1. How is the ESG quality of mutual funds assessed?

The ESG quality of funds is assessed by reference to the ESG ratings of issuers in the portfolios, based on a proprietary analysis methodology whose process is described in sections 3.3 to 3.5.

In the case of SRI-labeled funds, the ESG quality of portfolios is communicated monthly in each fund's financial report, which contains two pages of sustainability indicators.

The ESG performance of Funds is assessed using the following criteria:

- Percentage of securities in the portfolio covered by a GREAT score,
- Fund selectivity rate,
- Weighted average GREaT score of the fund compared to its benchmark universe,
- Comparison of the distribution of the fund's GREaT scores with those of its comparison universe,
- Comparison of the fund's weighted average G, R, E, T pillar scores with those of its comparison universe.

All these criteria are updated monthly.



## 6.2. Which sustainability indicators are used by funds?

As part of the update of the French government's SRI label guidelines on 12/2023, SRI-labeled funds must achieve better results on two sustainability indicators compared with their benchmark index or initial universe. These two sustainability indicators are to be selected from the list of "main negative impact indicators" described by European regulation (EU) 2019/2088 (SFDR or Disclosure) and defined by the technical standards mentioned in article 4, paragraphs 6 and 7 of the same regulation.

For all Funds, the following ESG indicators are monitored and communicated at least annually:

- **Scope 1, 2 and 3 carbon footprint** (number of tons of greenhouse gases generated per 1 million euros invested),
- **Net zero trajectory** (share of companies whose greenhouse gas emission reduction targets are validated by SBTi),
- **Water management** (water consumption in m3 divided by \$1 million in sales),
- **Biodiversity footprint** (calculates the most sensitive exposures in terms of impacts on biodiversity, in order to better manage the resulting risk. Global Biodiversity Score - GBS (MSA.ppb\*/b€ invested),
- **Human rights** (signature of the UN Global Compact),
- **Gender diversity in governance bodies** (average ratio of women to men in the governance bodies of the companies concerned, as a percentage of the total number of members),
- **Lack of due diligence** (share of investment in entities without a due diligence procedure to identify, prevent, mitigate and address negative human rights impacts).

The Funds listed in the table below are committed to outperforming their initial investment universe on the following 2 sustainability indicators:

Fund name	1 <sup>st</sup> indicator Coverage rate of emitters >70%	2 <sup>e</sup> indicator Issuer coverage rate >50%
Echiquier Positive Impact Europe	Net zero trajectory	Human rights
Echiquier Impact et Solidaire	Net zero trajectory	Human rights
Echiquier Climate & Biodiversity Impact Europe	Net zero trajectory	Biodiversity footprint
Echiquier Health Impact for All	Net zero trajectory	Biodiversity footprint
Echiquier Major SRI Growth Europe	Net zero trajectory	Biodiversity footprint
Echiquier Alpha Major SRI	Net zero trajectory	Biodiversity footprint
Echiquier Agenor SRI Mid Cap Europe	Biodiversity footprint	Scope 1, 2 and 3 carbon footprint
Echiquier Agenor Euro SRI Mid Cap	Biodiversity footprint	Scope 1, 2 and 3 carbon footprint
Echiquier Credit SRI Europe	Net zero trajectory	Biodiversity footprint
Echiquier ARTY SRI	Net zero trajectory	Biodiversity footprint
Echiquier High Yield SRI Europe	Net zero trajectory	Water management
Echiquier Short Term Credit SRI	Net zero trajectory	Biodiversity footprint
Tocqueville Silver Age ISR	Scope 1, 2 and 3 carbon footprint	Biodiversity footprint

Tocqueville Small Cap Euro SRI	Net zero trajectory	Gender diversity in governance bodies
Tocqueville Europe Strategic Tech SRI.	Scope 1, 2 and 3 carbon footprint	Biodiversity footprint

All the sustainability indicators relating to the negative impacts detailed above are communicated within the monthly financial reporting of the Funds.

They are updated monthly. These indicators may also appear in other reporting media (details of the media concerned are given in paragraph 6.3).

To find out more about the various controls associated with ESG performance indicators, please refer to section 5.1 of this document.

In addition, our Impact funds use other ESG performance indicators in line with their strategy:

**[ POSITIVE IMPACT / SOLIDAIRE ]** In the specific case of Echiquier Positive Impact Europe and Echiquier Impact et Solidaire, we use an indicator of contribution to the SDGs. Several indicators are used to assess this impact:

- Average portfolio "Solutions", "Initiatives" and "SDG" scores,
- Average sales of portfolio companies contributing to one or more of the SDGs,
- Number of companies contributing to each of the nine identified SDGs.

**[ SOLIDAIRE ]** mutual fund's monthly reporting also presents a set of indicators relating to the solidarity asset portfolio, including the solidarity rate in transparency and the contribution to the SDGs.

**[ CLIMATE ]**: In the specific case of the Echiquier Climate & Biodiversity Impact Europe mutual fund, we use a set of climate performance criteria:

- The portfolio's weighted average Climate and Biodiversity Maturity Score compared with its benchmark index,
- Weighted average biodiversity footprint score of the portfolio compared to its benchmark, expressed in MSAppb\*,
- Weighted bottom-up and top-down temperatures of the portfolio, compared with its benchmark,
- Weighted average green share of the portfolio, compared with its benchmark index,
- Weighted average physical risk score of the portfolio compared to its benchmark,
- Top 5 and Flop 5 Climate Maturity and Biodiversity scores for portfolio companies,
- Top 5 and Flop 5 biodiversity footprints of portfolio companies, expressed in MSAppb\*.

**[ HEALTH ]**: In the specific case of the fund Echiquier Health Impact For All, we use a set of performance criteria on access to health:

- Weighted average "AAAA" portfolio score,
- Share of the three levels of DNSH practice (GO / ENGAGEMENT / NO GO),
- Number of companies contributing to each of the 4 health access challenges.

In addition, we publish an impact report for each of our impact funds, containing numerous indicators that highlight the positive impact generated by the fund's investment and by the companies in its portfolio in relation to the fund's impact thesis.

Concerning the methodology used by La Financière de l'Echiquier for all the ESG performance indicators detailed above:

- The performance of each fund is compared with that of its benchmark index.
- Performance is calculated on a weighted basis, both for the fund's portfolio and for its benchmark index.
- The weight of each issuer in the portfolio is reweighted, with investments in mutual funds and cash not included in the calculation of impact measurements, in line with the requirements of the label's specifications.

In addition, as part of our response to Article 29 of the French Energy-Climate Law on sustainability reporting by market players, we publish a dedicated Climate and Biodiversity report containing numerous indicators enabling us to measure the dual materiality of our portfolios: assessing, on the one hand, the impact of our portfolios on climate and biodiversity and, on the other, the impact of climate and biodiversity on our investments.

### **6.3. What media are available to inform investors about the SRI management of mutual funds?**

Transparency, both in terms of our investments and our methodologies, is central to our approach as a responsible investor. To this end, we publish a range of documents and reports on our website, which we aim to make as educational as possible:

- SFDR Policies
  - o [Article 3 on sustainability risks](#),
  - o [Article 4 on principal adverse impacts](#) on LFDE,
  - o Article 10 for each of our funds classified as Article 8 or 9 under the SFDR Regulation,
  - o [Sustainable Investment Methodology](#),
- [Climate Policy](#),
- [Climate and Biodiversity Report](#), as part of our response to Article 29 of the French Energy-Climate Law (LEC),
- [Coal Policy](#),
- [Oil & Gas Policy](#),
- [Exclusion Policy](#),
- [UN PRI Transparency Report](#),
- [UN PRI Evaluation Report](#),
- [Voting policy](#),
- [Engagement policy](#),

- [Voting and engagement report](#),
- Inventory of portfolio votes at AGMs, for SRI-labeled funds (accessible on [ISS' VDS platform](#)),
- Monthly sustainability reporting integrated with mutual fund financial reporting,
- Complete inventory of portfolios (twice a year, with a six-month lag) for SRI-labeled funds,
- [Impact Doctrine](#),
- [Manifesto dedicated to Echiquier Health Impact For All](#),
- Impact Report for [ POSITIVE IMPACT ] + [ CLIMATE ] + [ HEALTH ] + [ SOLIDAIRE ].
- “[LFDE SRI & Performance](#)” Research Notebooks
- Quarterly SRI newsletters in the monthly newsletter,

These documents are freely available on our website in the "Responsible Investment" section, on the "[To find out more](#)" page, in the "LFDE Documents" section, or for documents specific to our funds, on the page dedicated to them, accessible from the "[Funds](#)" page, in the "Documents - Responsible Investment" section. The quarterly SRI newsletters are available on the "News" page, in the "[SRI News](#)" section.

#### **6.4. Does the management company publish the results of its voting and engagement policies?**

Each year, La Financière de l'Echiquier publishes the results of its voting and engagement policy in a dedicated report. This document, which is intended to be educational and illustrative, highlights our dynamic shareholder dialogue with companies, throughout the life cycle of our investments. It also enables us to track the progress made by companies in relation to the areas of progress we have shared with them. In addition, for each SRI-labeled mutual fund, we provide an inventory detailing all our votes, resolution by resolution, and their rationale.

This information is available on the La Financière de l'Echiquier website, in the "Responsible Investment" section, on the "[To find out more](#)" page, in the "LFDE Documents – Voting and Engagement" section and in a dedicated section on the page of each SRI-labelled fund.



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