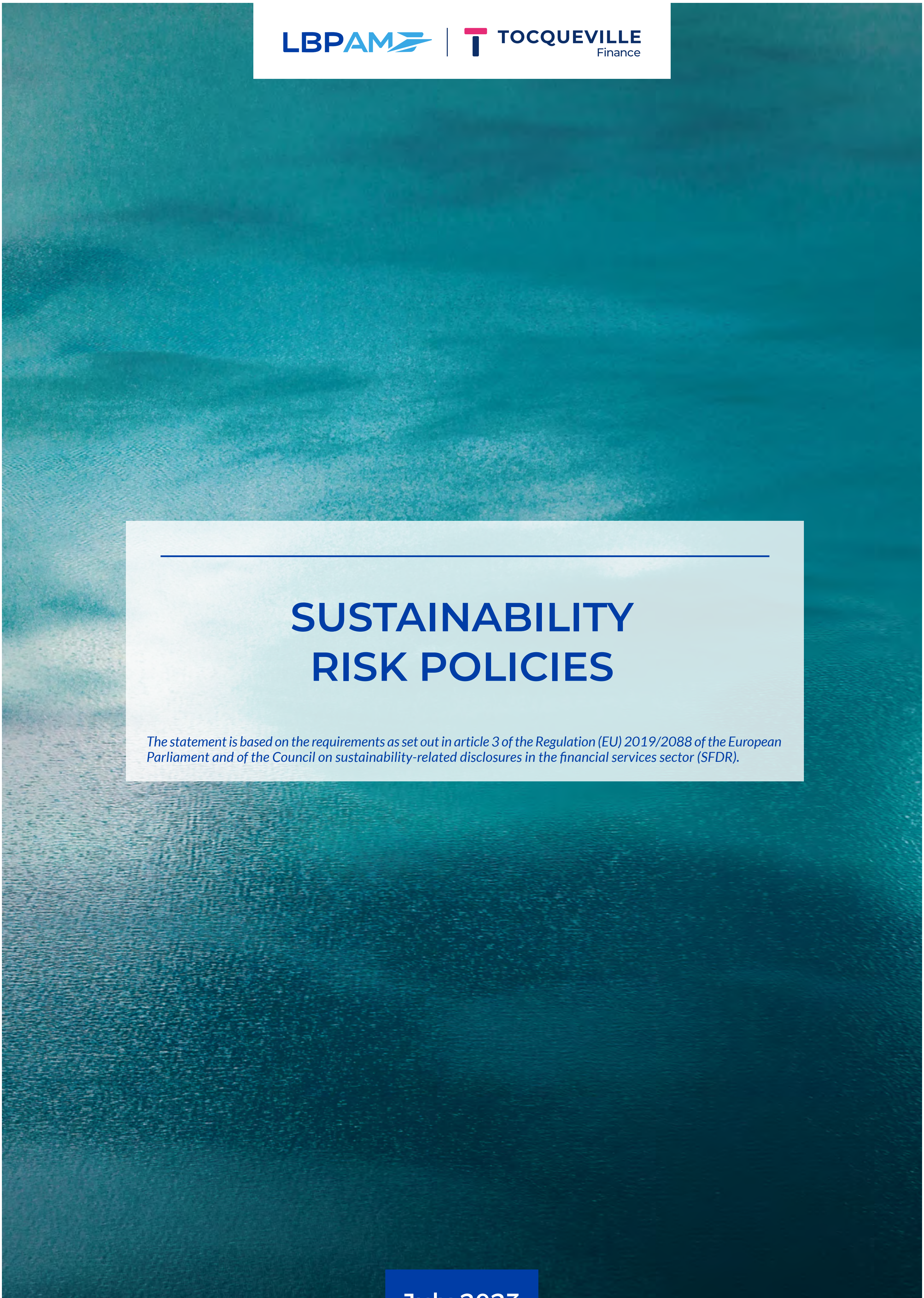

SUSTAINABILITY RISK POLICIES

The statement is based on the requirements as set out in article 3 of the Regulation (EU) 2019/2088 of the European Parliament and of the Council on sustainability-related disclosures in the financial services sector (SFDR).

July 2023

Publication pursuant to Article 3 of Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector (Sustainable Finance Disclosure Regulation – "SFDR Regulation").

This publication concerns LBP AM and its subsidiary Tocqueville Finance ("TFSA").
Policy updated on 30 June 2023.

ESG risk management policy

The analysis and management of sustainability risks are based on a set of complementary tools, policies and procedures.

1. Risk identification and assessment framework

SRI rating

The proprietary ESG rating methodology "GREaT" incorporates indicators for different categories of sustainability risk such as climate change, governance issues and respect for human rights, namely :

- **Regulatory risks**, captured by the "Business Ethics" criterion which assesses the internal control systems in place set by issuers;
- **Operational risks**, captured by the "Sustainable Resource Management" pillar, which looks at the quality of human resource management (training, keeping staff turnover under control, etc.) and the introduction of sound environmental management systems, both of which help to reduce operational risks;
- **Strategic risks**, which concern the alignment of company strategy with long-term trends, particularly with the 'Energy Transition' and 'Regional Development' pillars;
- **Climate risks**, including physical risks covering damage directly caused by weather and climate phenomena as well as 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 risks are considered in the Energy Transition pillar.

This analysis is systematically applied and the underlying indicators provided by MSCI ESG and Moody's ESG are tailored to the companies' geographical, sectoral and capitalisation size characteristics.
The GREaT ratings are updated every six months and may be subject to an ad hoc update when a specific risk is identified. The rating methodology is reviewed at least once a year.

Financial analysis

The qualitative ESG analysis integrated into financial analysis aims to identify the strengths and weaknesses of companies in relation to sustainability issues. Managers and analysts identify the material sustainability issues, i.e.

Consideration of double materiality

LBP AM-TFSA considers that taking sustainability risks into account and reducing the adverse impact of its investments on sustainability factors are intrinsically linked. A poorly controlled adverse impact can result in increased sustainability risk, and LBP AM-TFSA believes that reducing the adverse impacts of investments is an essential component for preventing sustainability risk.
LBP AM-TFSA accordingly does not dissociatesclimate risk management from principal adverse impacts mitigation

those likely to have a significant impact on the credit quality or valuation of each issuer analysed. This analysis takes into account the exposure of companies to the material issues identified and the timeframe over which they could materialise, the extent to which they have integrated these issues into their strategy, and the human, financial and technical resources mobilised to deal with them. These analyses result in the attribution of a materiality score, which is made available to all managers in the financial analysis tool assisting them in their investment decisions. Ratings are updated as new information becomes available and following discussions with the companies concerned or external analysts.

Normative analysis

The normative analysis carried out as part of the exclusion process aims to identify companies that are subject to controversies relating to the violation of the following international standards: the United Nations Global Compact, the OECD Guidelines for Multinational Enterprises. The analysis conducted assesses the proven, severe, repeated nature of these violations without any corrective measure taken.

→ More detailed information on the GREaT rating tool, the financial analysis and the normative analysis mentioned above can be found in the Responsible Investment 2022 Report ("Reporting under Article 29 of the Energy-Climate Act ») available on the management company's website.

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2. Risk management framework

Integrating ESG ratings in the allocation

The ESG ratings based on the GREaT methodology are at the heart of the SRI selection process for securities in the portfolios, which either implies the exclusion of the worst-rated companies or the overweighting of the best-rated ones. In this way, the ESG approach applied to the selection of securities in the portfolios tends to disqualify the most exposed issuers and to favour those who have the best control over their exposure to sustainability risks.

→ Additional information on the stock selection process based on the GREaT ratings can be found in the Responsible Investment 2022 Report ("Reporting under Article 29 of the Energy-Climate Act") available on the management company's website.

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Normative exclusion policy

The normative analysis carried out on issuers who are the subject to severe controversy feeds into the deliberations of the LBP AM and TFSA Exclusion Committee.

Chaired by the Deputy Chief Investment Officer, this committee brings together the heads and representatives of the management, analysis and risk teams on a quarterly basis to approve the development of LBP AM and TFSA's exclusion policies and their implementation in terms of excluding, freezing or reinstating an issuer with the objective of limiting the exposure to companies that entail a major financial or sustainability risk. It comprises two boards, voting respectively for LBP AM and TFSA. The Risk Department is empowered to alert the Executive Board if it disagrees with the committee's decision.

→ Additional information on the normative exclusion policy can be found in the exclusion policy available on the management company's website:

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Engagement and voting policy

Whereas the two aforementioned measuresaims at rapidly and directly reducing the exposure of management companies to risks, LBP AM and TFSA's engagement and voting policy is geared to mitigating the source of risks - deemed to be of lesser magnitude or less imminent - through proactive action aimed at encouraging the invested companies better manage their environmental, social and governance risks.

The LBP AM Group's engagement and voting policy is implemented by LBP AM and TFSA.

In terms of shareholder engagement, all the companies invested by LBP AM Group's portfolios are likely to be engaged on ESG issues. All shareholder engagement actions are carried out in the name of the LBP AM Group on behalf of its retail and professional clients. The main objectives, scope and usual procedures for conducting engagement procedures are formalised in the global shareholder engagement policy, supplemented by our thematic SRI policies, which disclose the expectations for specific issues and sectors. These policies are available on the websites of LBP AM Group companies:

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As regards voting at general meetings of shareholders, LBP AM and its subsidiary Tocqueville Finance publish their policy that sets out the scope and procedure for voting at such meetings, as well as the criteria for approving or rejecting resolutions submitted to a shareholder vote.

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In order to report on the application of these different policies, LBP AM and its subsidiary TFSA publish a shareholder engagement report, which also reports on the application of the voting policy.

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Thematic policies

Ad hoc thematic policies are intended todisclose the specific treatment of the main sustainability issues across all three systems. These policies are developed jointly by the experts of the SRI team and the management and research teams and are submitted to the Sustainable Finance Committee for approval, which challenges the assumptions and choices made and ensures that the policy is consistent with the management company's overall ESG strategy. These policies define the rating criteria, the implementation of engagement actions aimed at high-risk companies and the exclusion of the most exposed companies. LBP AM-TFSA has policies on climate change, biodiversity, coal, oil and gas, and compliance with fundamental human rights treaties (United Nations Global Compact, United Nations Guiding Principles on Business and Human Rights, OECD Guidelines for Multinational Enterprises).
These policies are updated periodically on the basis of an annual assessment of the need for such updating. The methodologies and results for the 2022 financial year are set out below.

Conventional risk management framework

Finally, the Risk Department, which is responsible for applying the conventional risk management framework, is directly involved in the approval and supervision of the application of the aforementioned measures: participation in the development or approval of policies, control of models, participation in the exclusion committee, pre- and post-trade controls. It has developed an action plan to ensure the gradual integration of ESG issues into its direct investment supervision activity, prioritising climate risks because of their systemic nature and the greater maturity of the indicators available.

Focus on human rights risk management

Human rights risks are analysed as follows:

- **The GREaT proprietary ESG rating methodology** incorporates criteria relating to respect for human rights and rights at work by companies, divided into two pillars: "sustainable management of resources" and "development of territories".

- **The ESG materiality analysis**, integrated into the financial analysis carried out by the research and management teams, incorporates issues relating to respect for human rights, notably regarding controversies.

- **LBP AM-TFSA, as part of the monitoring of controversies for the implementation of its normative exclusion policy, specifically monitors human rights risks** using various data providers (ISS, Moody's, MSCI, RepRisk), as well as specialised external data, in particular reports from NGOs, universities and the Business and Human Rights Resource Centre. In order to ensure a transversal monitoring of its exposure to this type of risk (in the same way as it assesses its exposure to climate and biodiversity risks), the management company intends to establish a human rights risk map tailored to its activity and investment strategies by 2023.

Several elements stemming from LBP AM-TFSA's investment strategy are used to monitor the risks arising out of human rights issues:

- **Stock selection based on GREaT ESG ratings** through best-in-class or best-in-universe strategies. The consistent application of these strategies in funds tends to underweight the most exposed issuers.

- **The normative exclusion policy** based on the United Nations Global Compact, the United Nations Guiding Principles on Business and Human Rights (UNGP) and the OECD Guidelines for Multinational Enterprises (OECD Guidelines). Serious repeated and uncorrected violations of international standards on human rights, the environment, health, safety and the principles of good governance may, after analysis and possible discussion with the issuer, lead to the latter's exclusion.

- **The engagement policy** gives priority to companies with a serious impact or risk of serious impact on human rights, taking into account the LBP AM Group's aggregated holdings and the weight that these companies represent in the Group's total investments. The aim of these commitments, which may be bilateral or collective, is to strengthen the practices of companies in terms of due diligence and respect for human rights. The LBP AM Group's expectations are based on the following elements, which are adapted to the company's specific challenges:
  - The implementation of a reasonable due diligence on human rights, in line with the expectations of the United Nations Guiding Principles on Business and Human Rights and the OECD Guidelines on Multinational Enterprises;
  - The identification, prevention, mitigation and remediation of salient risks specific to the sector in which the company operates;
  - The remediation of adverse impacts; and
  - The consultation with stakeholders and those affected by the company's activities or their legitimate representatives.

Focus on climate risk management

The climate risks of issuers are analysed and monitored as follows:

- **The GREaT proprietary ESG rating methodology** includes climate risks in its "Energy Transition" pillar based on indicators provided by MSCI ESG and Moody's ESG. For real and private asset funds, the indicator is calculated based on a proprietary analysis grid whose data is obtained directly from companies.
- **The ESG materiality analysis**, which is integrated into the financial analysis carried out by the research and management teams, includes a qualitative analysis of the physical and transition risks where considered material for the issuer.
- **Ad hoc measurement indicators** are applied to all LBP AM-TFSA investments.

Several elements of LBP AM-TFSA's investment strategy are used to monitor **the physical, transition and controversy risks associated with climate issues:**

- **Stock selection based on the GREaT ESG ratings** through best-in-class or best-in-universe strategies. The consistent application of these strategies in funds tends to underweight the most exposed issuers;
- **In addition, the qualitative analysis carried out by the research and management teams** enables managers to identify the most exposed issuers in order to make informed investment decisions;
- **The transition strategy** deployed under LBAP-TFSA's commitment to the Net Zero Asset Managers Initiative (NZAMI). This strategy aims to align the company's investments with a 1.5°C trajectory, benchmarked with the IPCC's P2 scenario. In 2022, this ambition resulted in a commitment by the company to align 80% of its assets under management with a "net 0" path by 2030;
- **Sectoral exclusion policies on coal, oil and gas** enable the company to limit its exposure to sectors highly exposed to transition and reputational risks. The societal objective of this approach is to avoid accentuating the lock-in effects of regional economies and companies invested in fossil fuels. The financial objective is, where appropriate and depending on the operating costs of the assets and the positioning in the value chain, to avoid increasing the risk of stranded assets or the decline of emissive commercial activities that would result from a successful energy transition, as recommended by the IPCC as and.
- **LBP AM's engagement and voting policy** incorporates several elements contributing to the climate risk management of its portfolios. In line with its transition ambition, LBP AM applies an active stewardship policy with companies to encourage them to initiate or accelerate the transition of their business model. For example, LBP AM took part in the "Science-Based Targets Campaign", organised by the Carbon Disclosure Project (CDP) and targeting over a thousand companies aiming at obtaining a commitment from them to transition their business to the Science-Based Target Initiative. In addition, LBPMA-TFSA actively encourages companies to submit their climate strategies to shareholders vote, for which it has set specific requirements. Where necessary, LBP AM-TFSA can also participate in the submission of resolutions. For instance, LBP AM took part to the submission of a "say-on-climate" resolution at the TotalEnergies AGM in 2020. It also took part to the submission of three climate resolutions, which were withdrawn following satisfactory commitments from the companies, at the AGMs of Engie in 2021 and HSBC and TotalEnergies in 2022.

Additional information on the various policies mentioned above is available on the management company's website

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Focus on biodiversity risk management

Biodiversity risks are analysed and monitored as follows:

- **The GREaT proprietary ESG rating methodology** includes indicators covering biodiversity issues. These indicators are spread across the "Biodiversity and Water" and "Pollution and Waste" criteria contained in the "Sustainable Resource Management" pillar, as well as in the "Energy Transition" pillar. For real and private asset funds, indicator are calculated on the basis of a proprietary analysis grid, the data for which are obtained directly from companies.

- **The ESG materiality analysis**, integrated into the financial analysis carried out by the research and management teams, includes a qualitative analysis of the physical and transition risks when this is considered material for the issuer.

- **The thematic biodiversity policy** is based on biodiversity risks and dependencies, for which the sources and resultsare detailed below.

To analyse and measure the risks and dependencies of its investments on biodiversity, LBP AM-TFSA relies on the ENCORE[1] database which measures the ecosystem services required to carry out an activity according to 5 different degrees of materiality ranging from "very low" to “very high”. Materiality levels are transposed onto a quantitative scale to calculate the average materiality of the portfolio for each ecosystem service.

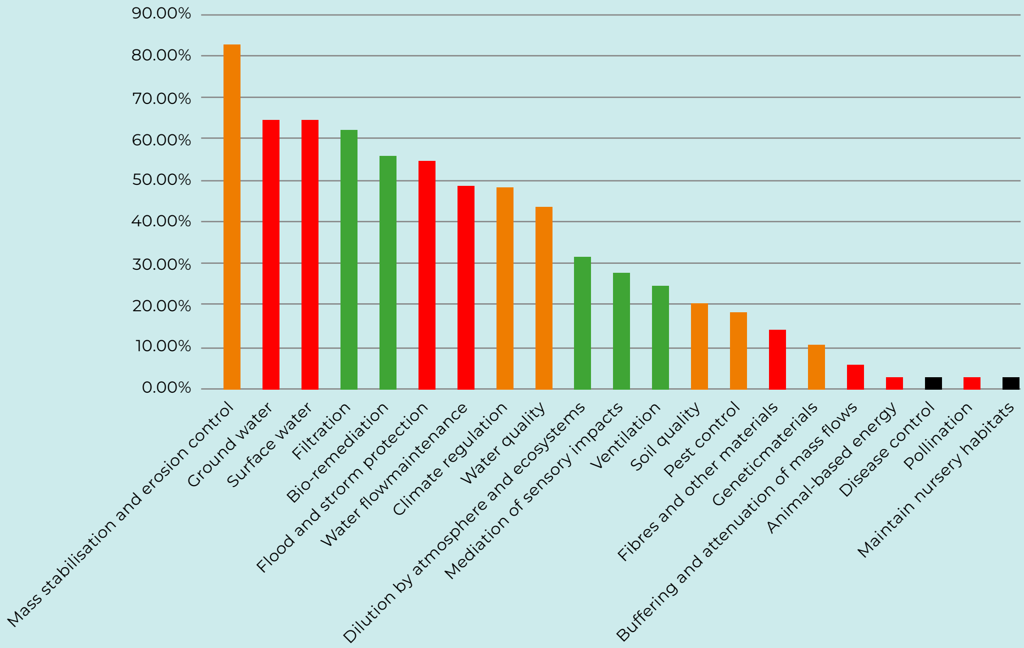
LBP AM-TFSA has measured the dependence of its sectoral exposures on the main ecosystem services as of 31 December 2022. The result has been transposed into the table below.

Percentage of AUM dependant on ecosystem services

Average level of dependency for the exposed assets -

Black : high to very high
Red : medium to high

Orange : low to medium
Green : very low to low



1 - ENCORE (naturalcapital.finance)

Biodiversity-related risks are managed through several elements of LBP AM-TFSA's investment strategy:

- **La sélection des titres basée sur les notes ESG GREaT** à travers des stratégies best-in-class ou best-in-universe. L'application de ces stratégies de manière contraignante dans la gestion des fonds tend à sous-pondérer les émetteurs les plus exposés.

- **Stock selection based on GREaT ESG ratings** through best-in-class or best-in-universe strategies. The consistent application of these strategies in funds tends to underweight the most exposed issuers.

- **The biodiversity exclusion policy and its component dedicated to deforestation,** focused on operating and/or trading companies directly involved in deforestation which have not put in place a solid risk prevention policy. Trading companies, agri-food companies, forestry companies and extractive/petroleum industries are given particular attention because of their direct responsibility for reducing forest area.

- **The engagement and voting policy,** which aims to help companies to better understand and better consider biodiversity-related issues. LBP AM-TFSA has adopted a sectoral approach to optimise the effectiveness of this approach. A sector is selected for a period of 2 to 3 years, during which LBP AM-TFSA engage with companies identified as critical on the basis of their behalf and on the wheight they represent in LBP AM-TFSA's portfolios.

Additional information on the biodiversity policy applied by LBP AM Group is available on the management company's website:

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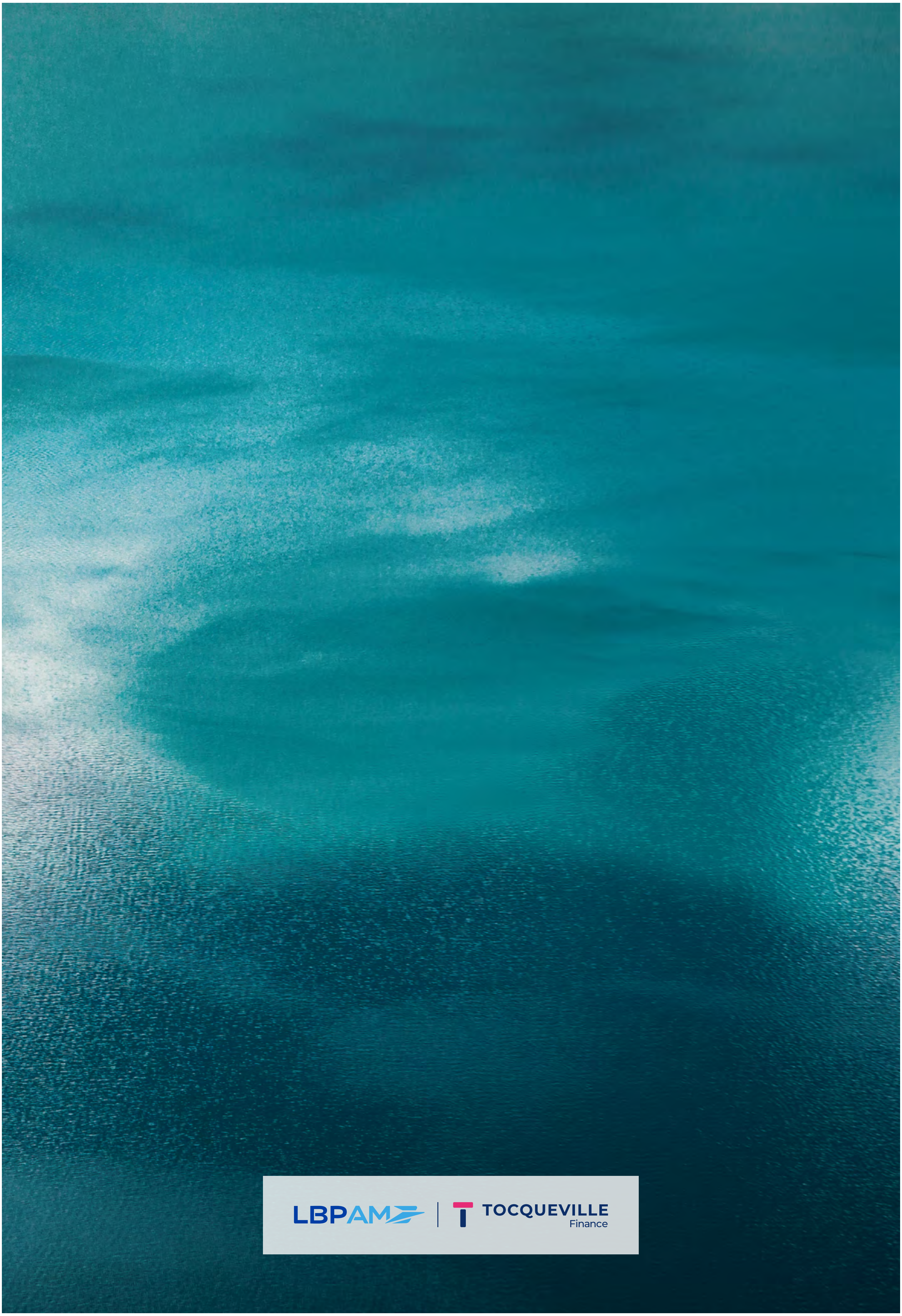
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