

ECHIQUIER AGENOR SRI MID CAP EUROPE

2019 SRI REPORT

Data as of 31/12/2019

Echiquier Agenor SRI Mid Cap Europe is an SRI-certified fund invested in European growth mid-caps, selected for their capacity to generate value independently of the cycle and the quality of their governance.

INVEST

Investing responsibly means excluding from the investment universe any companies that are active in controversial sectors and/or that do not have sufficiently responsible ESG practices.

Sector and standard exclusions

Rule: Companies that generate over 5% of their revenue in any of the following controversial sectors are excluded:



Tobacco



Weapons



Recreational cannabis



Fossil fuels



United Nations
Global Compact

Breach of the UN Global Compact

2 ESG analysis (Environment, Social and Governance)

Rule: ESG criteria are analysed prior to investing for **100% of the companies in the portfolio**. The governance analysis is conducted internally using **our proprietary analysis methodology**. The environmental and social analysis is conducted using ESG research from MSCI or internal research. In addition to this rating **we may conduct an interview with management** that focuses on non-financial aspects. To be eligible for inclusion in the portfolio, the company must achieve a **minimum ESG rating** of 5.5/10.



Result:

6.7/10

Average fund ESG rating



Top 3 ESG ratings



FILTER 1 + FILTER 2 = SELECTIVITY RATE¹ OF 29%

¹ The selectivity rate indicates the reduction in the initial investment universe based on the ESG criteria (exclusions and minimum ESG rating).

Worldline

8.0/10
ESG rating



Worldline Group is the European leader in payment services. The group has been in the portfolio since its 2014 IPO and now operates on a much larger scale thanks to several acquisitions and solid organic growth. This remarkable track record which led the company to become part of the CAC 40 index in early 2020. Worldline also has the best ESG profile in our portfolio. The company has a good governance structure and a highly competent management committee, which directly handles CSR topics. Worldline has stood out for the quality of its non-financial reports since 2014, before the implementation of the TRUST 2020 plan in 2017 that set several ambitious environmental and social objectives for the group.

Governance

- ◆ Management team quality
- ◆ Checks and balances
- ◆ Respect for minority shareholders
- ◆ Evaluation of non-financial risks

CEO Gilles GRAPINET has an excellent track record and a remarkable strategic vision on the consolidation of the payments sector in Europe. The majority of the Board of Directors is independent in the wake of Atos' exit from the company's capital and provides a good system of checks and balances. CSR is embodied in the company's operations and championed by the management committee. The CEO's compensation is highly transparent and aligned with CSR objectives.

8.0/10

Environment

- ◆ Environmental policy and initiatives
- ◆ Results
- ◆ Suppliers
- ◆ Environmental impact of products

Worldline stands out thanks to the quality of its non-financial reports and the implementation of ambitious environmental objectives as part of its TRUST 2020 plan. Worldline has committed to making all its businesses and infrastructure carbon neutral by 2020. This includes its datacenters, offices, business travels and production of payment terminals. This strategy is reaping rewards as the company has been able to reduce its CO₂ emissions in absolute terms, despite its strong growth.

8.2/10

Social

- ◆ Loyalty and progression
- ◆ Employee protection
- ◆ Suppliers
- ◆ Social impact of products
- ◆ Relationship with civil society

Thanks to a strong corporate culture and a proactive employee compensation and loyalty policy (high amounts of training provided, well-developed employee shareholding structure, etc.), Worldline has low employee turnover and high employee satisfaction according to the Great Place to Work survey. The company has an excellent track record in terms of the social impact of acquisitions and we expect this performance to continue with the integration of Ingenico's 8,000 employees.

7.8/10

ENGAGE

As responsible investors, we are committed to advancing the governance, environmental and social practices of the companies in the portfolio. To achieve this, we have implemented an active approach to voting in AGMs and a structured approach to shareholder engagement.

1 Voting at Annual General Meetings (AGMs)

Rule: Always vote at the AGMs of the companies in the portfolio.

Result:

100%
voting at AGMs in 2019

16.3%
"Against" votes

AGM season is a prime opportunity to engage in dialogue with companies to help them improve their practices.

Example: at UK industrial conglomerate **Smiths Group's** 2019 AGM, we voted against the resolution on a capital increase without Preferential Subscription Rights. We like capital increases to at least include a priority subscription period for existing shareholders.

Top 2 reasons for voting against management



Anti-takeover measures and financial transaction/merger provisions



Appointment and compensation of board members

2 Shareholder engagement

Rule: Define several areas for improvement for each company, following the ESG analysis, which highlight the items for improvement identified and are always provided to the company. Company's progress is monitored every two years in order to track how the company is advancing on what we believe are the most important ESG issues.

Result:



Themes of the 25 areas for improvement provided to 9 companies in 2019

In addition to individual commitments, we participate in several collaborative commitment initiatives, including:





A French industrial multi-service provider, offering textile, hygiene and facility service solutions. Elis has been in the Echiquier Agenor SRI Mid Cap Europe portfolio since 2015.

2019 AGM Vote

Of all the resolutions put forward at the 2019 AGM, we voted against renewing the term of office of a director who had too many external mandates. A director who has too many mandates may be less available and involved. Following the AGM, we held a discussion with the company to encourage them to correct this weakness (by replacing the director or reducing the number of his external mandates).

Shareholder engagement

◆ 2017 Results

Three areas for improvement were identified in 2017 following our ESG analysis. During our 2019 review, we saw that the "Making the audit and compensation committees more independent" item had been achieved.

The two other items – "Improving reporting of quantitative environmental and social data", and "Appointing directors with an international profile" – were partially achieved.

◆ 2021 Outlook

As the company was very open to our recommendations, we took advantage of our 2019 ESG analysis update to encourage the company to continue to work on areas in which partial progress had been made.

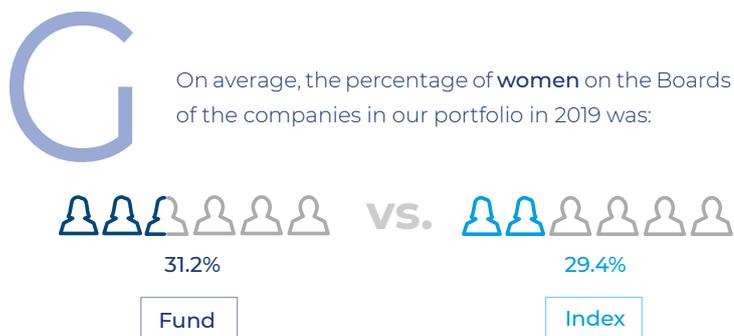
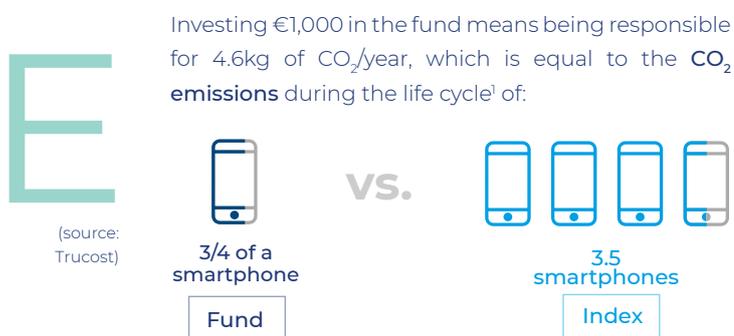
We also provided our new recommendations. One recommendation was that Elis should disclose the portion of its revenue that contributes to the Sustainable Development Goals (SDGs).

MEASURE

Measure to obtain a clear picture of the social and environmental value created by investments, beyond financial performance.

ESG impact indicators

Intentionality, one of the key characteristics of impact funds, is not part of this fund's investment policy. However, we decided to measure ex-post the impact of our portfolio:



A few examples



Source: LFDE. The stocks quoted are given as examples. Neither their presence in the managed portfolios nor their performance is guaranteed. ¹Life cycle: a product's CO₂ emissions generated by its manufacture, transport and sale until the end of its useful life. ² Carbon dioxide emissions (or equivalent) for every million euros in revenue earned by the company.

LEARN MORE

Label

The fund has obtained the French government's SRI label, which demonstrates how serious it is about its non-financial approach.

Label	Country	Date first obtained	Minimum ESG coverage	ESG selectivity	Exclusions	Transparency	ESG impact indicators
		2019	✓	✓	✗	✓	✓

At www.lfde.com



Transparency is at the heart of La Financière de l'Échiquier's (LFDE) approach as a responsible investor. You can access numerous documents on our website that provide information on our approach, methodology and our SRI fund investments:

ARTICLE 173
REPORT

AFG-FIR TRANSPARENCY CODE

“SRI and Performance by LFDE” report

SRI REPORT

Voting and

**Voting and
Engagement Report**

Engagement Policy



LFDE

www.lfde.com

**La Financière
de l'Échiquier**

53, AVENUE D'IÉNA - 75116 PARIS - FRANCE - T: +33 (0)1 47 23 90 90
PORTFOLIO MANAGEMENT COMPANY APPROVED BY THE AMF NO. GP 91004

This document is not contractually binding. The information is derived from the best sources in our possession. For more information on the fund presented and fees, please contact the management company at +33 (0)1 47 23 90 90 or your usual contact person.