

## ECHIQUIER MAJOR SRI GROWTH EUROPE

### 2019 SRI REPORT

Data as of 31/12/2019

Echiquier Major SRI Growth Europe is an SRI-labelled fund invested in European large cap growth stocks in a leadership position in their sector, selected for the quality of their governance and their environmental and social policies.

# 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.

INVESTMENT PROCESS

## 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**. This analysis is conducted internally using **our proprietary analysis methodology**. In addition to this rating **we 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 6.0/10.



**Result:**

**7.2/10**

Average fund ESG  
rating



Top 3 ESG ratings

### Initial investment universe

- Market capitalisation > €5bn
- Leadership
- Annual revenue growth >= 5%



≈ 240  
stocks

Exclusion  
filter



≈ 220  
stocks

ESG  
conviction  
filter

### Investable universe



≈ 170  
stocks

Fundamental  
analysis

Echiquier Major  
SRI Growth  
Europe



≈ 35  
stocks

SCREEN 1 + SCREEN 2 =  
SELECTIVITY RATE<sup>1</sup> OF 36%

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



7.5/10  
ESG rating



The global co-leader in industrial and medical gases, Air Liquide has been in the portfolio since 2018. The group is not involved in any of the sectors excluded by the fund and attained a very good ESG rating. It has sound governance and the management team has inspired a positive dynamic regarding the main social and environmental issues. This led to a detailed environmental and climate roadmap being defined. For Air Liquide, climate change brings both risks (gas production uses a lot of energy) and sales opportunities, particularly in terms of gases that reduce its clients' CO<sub>2</sub> emissions as well as opportunities to use hydrogen in sustainable travel.

## Governance

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

8.4/10

CEO Benoît Potier has spent his entire career at Air Liquide and fully embodies the group's culture. The recent changes made to the management committee have reduced the average age and added more women. The Board of Directors has a number of talented individuals and varied areas of expertise that are in line with the group's profile. Air Liquide is a company that respects minority shareholders and pays particular attention to individual shareholders.

## Environment

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

8.0/10

Air Liquide is ahead of schedule in terms of its 2025 roadmap and is expected to present new environmental objectives in its forthcoming strategic plan. The group has several initiatives to reduce the environmental footprint of its activities (in-house carbon pricing, investments in improving the energy efficiency of production processes, etc.) and develop products with a positive environmental impact.

## Social

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

6.5/10

Thanks to a strong corporate culture, Air Liquide is an extremely attractive employer brand, which is an advantage when hiring and retaining talented staff. Social policy is focused on increasing the number of women on the teams and reducing accident rates. The results speak for themselves: women are increasingly represented among executives and engineers, and accident rates for the workforce as a whole reached an all-time low in 2019.

# 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.

## 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

**15.4%**  
"Against" votes

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

Example: at global leader in dental implants **Straumann's** 2019 AGM, we voted against the resolution on reappointing a non-independent director that had been in the role for 17 years. We believe that a significant portion of directors on a Board should be independent in order to ensure a fair balance of powers.

### Top 2 reasons for voting against management



Anti-takeover measures and financial transaction/merger provisions



Appointment and compensation of board members

## 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.

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



**Result:**



Themes of the 33 areas for improvement provided to 12 companies in 2019

✓ **35%** Areas for improvement achieved

≈ **30%** Areas for improvement partially achieved

✗ **35%** Areas for improvement not achieved

Results of our 2019 commitments (based on the areas for improvement shared in 2017)



A French tyre manufacturer and retailer, Michelin has been in the Echiquier Major SRI Growth Europe portfolio since 2005.

## 2019 AGM Vote

We voted in favour of all the resolutions put forth at the AGM in May 2019 as they were all in line with our vision of good governance and respect for minority shareholders. This confirmed our positive vision of the group's governance.

## Shareholder engagement

### ◆ 2017 Results

Three areas for improvement were identified in 2017 following our ESG analysis. During our 2019 review, we concluded that the "Stabilising the accident rate" item had been achieved. The "Transparency on supplier audits" item had been partially achieved, while the item regarding transparency of the Chief Executive Officer's compensation scale had not been achieved.

### ◆ 2021 Outlook

Following the 2019 ESG analysis update, two areas for improvement were provided to the company. The first is still related to transparency of the Chief Executive Officer's compensation scale, for which we hope to see an absolute fixed cap implemented. The second concerns the Board of Directors, where we would like to see a director with an international profile hired in order to better reflect the geographic distribution of the group's revenue. We are hopeful that our recommendations will be implemented given the group's strong track record in these areas.

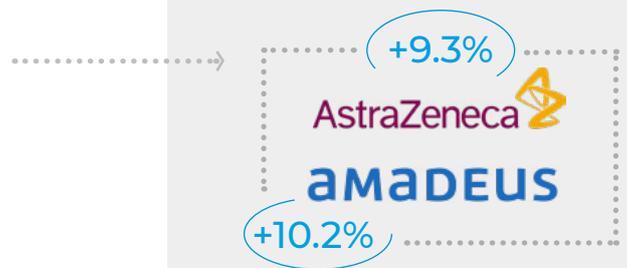
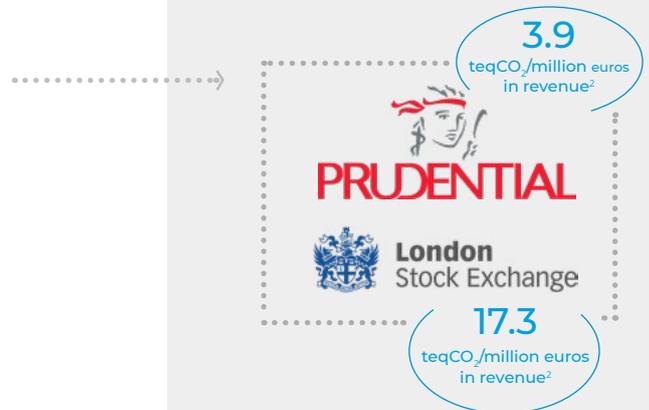
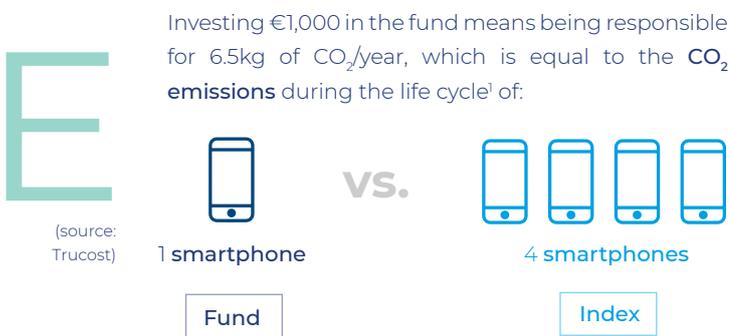
# MEASURE

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. <sup>1</sup>Life cycle: a product's CO<sub>2</sub> emissions generated by its manufacture, transport and sale until the end of its useful life.

<sup>2</sup> Carbon dioxide emissions (or equivalent) for every million euros in revenue earned by the company.

# LEARN MORE

## Labels

The fund has obtained several labels that demonstrate how serious it is about its non-financial approach.

Labels	Country	Date first obtained	Minimum ESG coverage	ESG selectivity	Exclusions	Transparency	ESG impact indicators
		2011 <sup>1</sup>	✓	✓	✗	✓	✓
		2019	✓	✗	✓	✓	✓
		2019	✓	✗	✓	✓	✓

<sup>1</sup>The French government's SRI label was created in 2016, however, the fund previously held Novethic's SRI label.

<sup>2</sup>Echiquier Major SRI Growth Europe obtained the FNG label with a score of 3 stars, which is the highest possible score.

## At [www.lfde.com](http://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:

RAPPORT  
ARTICLE 173 AFG-FIR TRANSPARENCY CODE

“SRI and Performance by LFDE” report

**SRI REPORT**  
**Voting and Engagement Report** Voting and Engagement Policy



**LFDE**

[www.lfde.com](http://www.lfde.com)

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