

# EXCLUSION POLICY

La Financière de  
l'Echiquier



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Data as of 31/12/2021

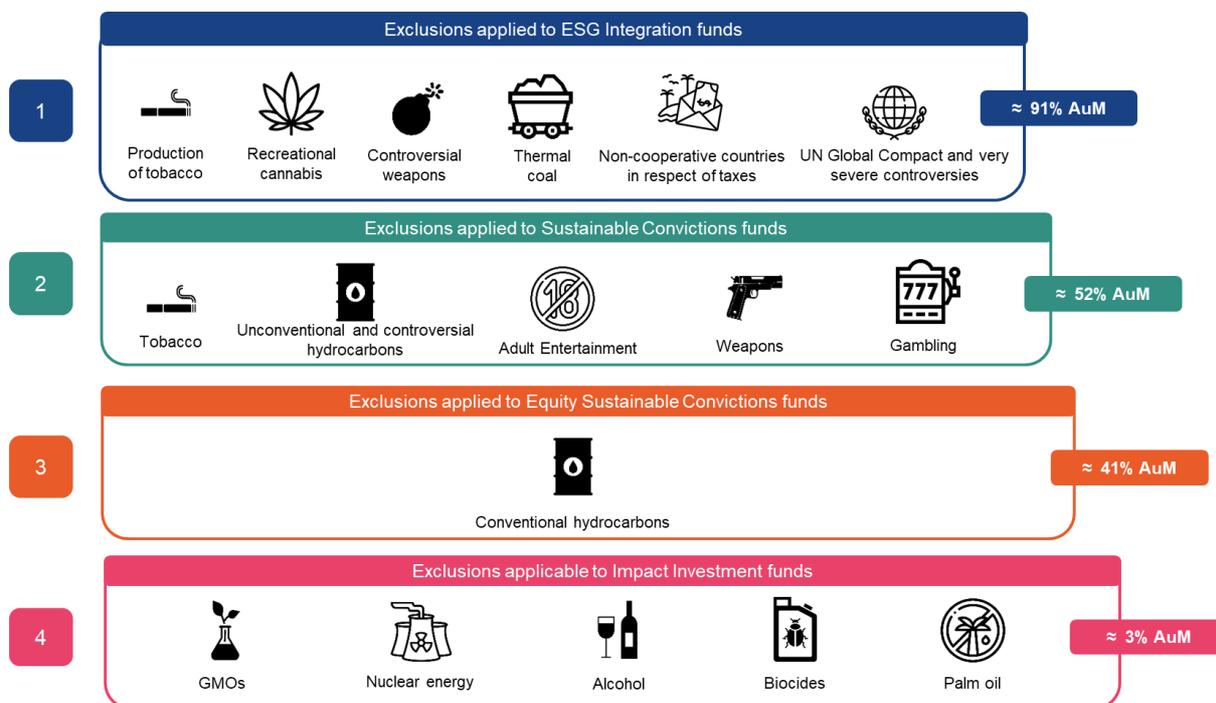
Update: October 2022

# 1. INTRODUCTION

As a responsible investor, La Financière de l'Echiquier (LFDE) aims to finance companies whose activities contribute positively to sustainable development stakes. At the same time, we are keen to reduce the negative externalities of our investments as much as possible. Thus, from the beginning, LFDE has integrated sectorial and normative exclusion policies into the heart of its responsible investment approach. Built up progressively, they allow us to avoid exposing and therefore protect our clients from ethical, reputational and *ultimately* financial risks associated with these sectors and practices.

Within its exclusion policy, LFDE has decided to exclude from its investments a set of sectors and practices that are said to be morally and/or ethically controversial... The scope of application of these exclusions is variable. Thus, 4 categories of funds have been defined, each with its own set of exclusions. These exclusions are cumulative, so a Sustainable Convictions fund will exclude activities in categories 1 and 2, while an impact fund will exclude activities in categories 1, 2, 3 and 4.

Rare exceptions and derogations may exist and are detailed within this policy.



Funds managed according to quantitative and macroeconomic strategies as well as funds of funds are not included in the scope of ESG integration and are therefore not concerned by these policies. They represent approximately **9%** of our assets under management as at **31/12/2021**.

The exclusion of these activities is the result of extensive analyses, the main conclusions of which are presented in this document. The commonly used tolerance thresholds are 0% and 5% of turnover. The 5% threshold is used to ensure that a company is not excluded if a controversial activity represents a non-essential part of its business, as may be the case for alcohol in the restaurant sector for example. This threshold also takes into account the difficulty of accessing reliable and granular data from companies on the breakdown of their turnover from side activities. Some specific thresholds may be applied to particular activities, such as all exclusions related to coal, conventional and unconventional fossil fuels. All thresholds used by sector are specified in the document.

Our exclusion policy is subject to an evolutionary approach. La Financière de l'Echiquier has expanded its list of controversial activities over the years and will continue to do so. These decisions are discussed and voted on by the members of our ethics committee.

For more information, please refer to section 3.6 of our Transparency Code.

LFDE is convinced that shareholder engagement with companies is complementary to exclusionary practices. Thus, in addition to the strict exclusionary rules set out below, La Financière de l'Echiquier regularly engages with companies active in controversial sectors, in order to try to minimise their negative impacts. LFDE publishes an annual voting and engagement policy and a voting and engagement report to report on its activities. For more information, please consult our voting and engagement report available on La Financière de l'Echiquier' website on the "Further information" page, under the heading "LFDE documents - Voting and Engagement".

## 2. EXCLUDED ACTIVITIES

1

2

### 2.1 TOBACCO

The use of tobacco products in any quantity causes major health problems - cardiovascular and respiratory diseases, cancers etc. - and deaths. According to the World Health Organisation (WHO), tobacco use is responsible for more than 8 million deaths each year<sup>1</sup>, making it the leading cause of preventable death in the world. Most tobacco-related deaths occur in low and middle-income countries, which are the target of intense activity and marketing efforts by the tobacco industry, contributing to growing global inequalities.

According to the WHO, the tobacco epidemic is "*one of the most serious threats to global public health in history*". Tobacco use causes societal problems such as addiction and dependence and has a major economic cost to governments in terms of prevention, medical costs, lost income and productivity due to death and disability. The latest WHO technical manual estimates the annual cost of tobacco to the global economy at US\$ 1.4 trillion, or 1.8% of annual global GDP<sup>2</sup>.

The WHO estimates that 100 million<sup>3</sup> people fall into extreme poverty each year because of the costs of treating non-communicable diseases caused by tobacco use. In addition, the cultivation, production and consumption of tobacco have serious consequences for the environment and biodiversity: destruction of ecosystems, deterioration of food chains, pollution of water, air and soil. Every year, 4.5 billion cigarette butts are scattered around the world.

LFDE excludes from all its investments companies making more than **5%** of their turnover in **tobacco production**.

In addition, LFDE excludes for all of its Sustainable Convictions and Impact funds companies generating more than **5%** of their turnover in **other parts of the tobacco value chain**: distribution, marketing, retailing and suppliers of essential products and services to the industry.

This exclusion contributes to the achievement of target 3.a of the UN Sustainable Development Goals (SDGs) on tobacco control.

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<sup>1</sup> WHO, July 2021

<sup>2</sup> Id.

<sup>3</sup> Id.

## 2.2 RECREATIONAL CANNABIS

Repeated recreational use of cannabis over a long period of time can have serious effects on physical and mental health. THC<sup>4</sup>, a psychoactive substance found in cannabis, causes sometimes irreversible damage to the brain and its functioning, including a significant decrease in attention, a significant increase in reaction time and loss of memory. Cannabis smoke contains more carcinogenic substances than tobacco smoke. It is therefore toxic to the respiratory system and can promote lung and throat cancer<sup>5</sup>.

According to the WHO, the risk of addiction is 1 in 6 among adolescent users and 1 in 3 among daily users.

Recreational cannabis use therefore raises a number of public health and addiction-related issues. Mental and physical health problems, such as impaired cognitive functions - memory, attention, psychomotor speed, impaired development of children born to mothers who use cannabis, and the ability to drive a motor vehicle safely are all issues for investors.

LFDE excludes from all its investments companies realizing more than **5%** of their turnover in the **production or marketing of cannabis products for recreational use**. Companies holding more than 20% of the capital of a company involved in these activities are also excluded.

However, LFDE does not apply an exclusion for medical cannabis.

## 2.3 WEAPONS AND CONTROVERSIAL WEAPONS

Although weapons can in some cases contribute to peace or serve as a deterrent tool, it is difficult to ensure that military products and services are used only for defensive purposes.

"*The Small Arms Survey*<sup>6</sup>", estimated that in 2017, the number of firearms in circulation worldwide was close to one billion, 85% of which were in civilian hands. This raises the question of the traceability of weapons produced.

As such, it must be ensured that weapons are not used arbitrarily against civilian populations. For this reason, on the basis of international conventions, companies exposed to the production of controversial weapons, i.e. weapons whose impact on civilians is disproportionate and may last for years after the end of a conflict, are excluded. In doing so, we apply the Ottawa (1997) and Oslo (2008) Conventions on anti-personnel mines and cluster munitions. We also have exclusions in place for all weapons commonly considered controversial, such as weapons of mass destruction.

For other types of armaments, we consider today that no company in the sector can guarantee the non-exportation of its products to high-risk countries.

<sup>4</sup>THC = Tetrahydrocannabinol

<sup>5</sup>Santé Publique France

<sup>6</sup>[http://www.smallarmssurvey.org/fileadmin/docs/Weapons\\_and\\_Markets/Tools/Firearms\\_holdings/SAS-Press-release-global-firearms-holdings.pdf](http://www.smallarmssurvey.org/fileadmin/docs/Weapons_and_Markets/Tools/Firearms_holdings/SAS-Press-release-global-firearms-holdings.pdf)

LFDE excludes from all its investments companies making more than **0%** of their turnover in activities (manufacturing, essential components, related services...) linked **to controversial weapons**. This includes biological and chemical weapons, cluster munitions, anti-personnel mines, landmines, depleted uranium weapons, blinding lasers, white phosphorus, incendiaries and non-detectable fragment weapons. Also excluded are companies holding more than 20% of the capital of a company involved in these activities.

LFDE excludes from its Sustainable Convictions funds and Impact Investment funds companies generating more than **5%** of their turnover in activities (manufacturing, essential components, related services, etc.) linked **to conventional weapons**. This includes civilian firearms and ammunition, nuclear weapons, intercontinental ballistic missiles, ballistic missile and nuclear warhead submarines, the manufacture or assembly of components, the storage of ammunition, etc. All the criteria are described in the appendix - pages 18 and 19.

Exception: Echiquier Space, an ESG integration fund, also excludes conventional weapons from its investments as part of its [thematic ESG investment charter](#).

## 2.4 UNITED NATIONS GLOBAL COMPACT AND VERY SEVERE CONTROVERSIES

1

The 10 principles of the UN Global Compact are international standards. Businesses are invited to...

### HUMAN RIGHTS

1. Promote and respect the protection of internationally proclaimed human rights
2. Ensure that they are not complicit in human rights abuses

### LABOUR RIGHTS

3. Respect freedom of association and recognise the right to collective bargaining
4. Eliminate all forms of forced or compulsory labour
5. Effective abolition of child labour
6. Eliminate discrimination in employment and occupation

### ENVIRONMENT

7. Support a precautionary approach to environmental challenges
8. Undertake initiatives to promote greater environmental responsibility
9. Encourage the development and diffusion of environmentally friendly technologies

### FIGHT AGAINST CORRUPTION

10. Fight corruption in all its forms, including extortion and bribery.

These 10 principles are based on :

- The Universal Declaration of Human Rights
- The Declaration on Fundamental Principles and Rights at Work
- The principles of the International Labour Organisation
- The Rio Declaration on Environment and Development
- The United Nations Convention against Corruption.

Thus, a company violating one of these ten principles would be guilty of a serious violation of human rights, labour law, the environment, business ethics or corruption.

LFDE excludes from all its investments **companies that are in violation of one or more of the 10 principles of the UN Global Compact**. More broadly, LFDE excludes all companies that are subject to controversies deemed very severe by MSCI ("red flag").

## 2.5 NON-COOPERATIVE COUNTRIES IN RESPECT OF TAXES

1

Non-Cooperative States and Territories (NCTs) are territories where taxation is very low compared to OECD countries. These territories are characterized by bank secrecy, in the name of which banks refuse to disclose certain data on their clients' accounts. The list of ETNCs is an instrument to combat tax evasion (non-payment of taxes), tax avoidance (use of legal means to reduce the tax burden) and money laundering.

According to the OECD, tax evasion costs governments more than 427 billion dollars per year<sup>7</sup>. More than half of this tax evasion would come from multinationals that use mechanisms to transfer their accounts from national tax systems to FTAs.

LFDE excludes from all its investments **companies domiciled in tax havens**. This exclusion applies to companies domiciled in countries mentioned in the following lists for tax purposes: the French government's list of Non-Cooperative States and Territories<sup>8</sup> and the European Union's list of countries and territories that are uncooperative for tax purposes<sup>9</sup>.

## 2.6 ENERGY SECTOR

There are major differences between the various energy sources in terms of their impact on the climate, the environment and biodiversity. As such, La Financière de l'Echiquier has a specific exclusion policy for each of them.

In addition to this exclusion approach, LFDE has published its [Climate & Biodiversity Strategy](#) specifying its ambitions with the strategic goal of accelerating the transition to a low-carbon economy and the preservation of biodiversity. This strategy is enriched by a [Commitment Policy](#) detailing our approach to engagement with companies, which complements our exclusion practices.

<sup>7</sup> Tax Justice Network Report, November 2020

<sup>8</sup> <https://www.legifrance.gouv.fr/loda/id/JORFTEXT000032378061/>

<sup>9</sup> <https://www.consilium.europa.eu/fr/policies/eu-list-of-non-cooperative-jurisdictions/>

## 2.6.1 THERMAL COAL

According to the reports of the IPCC, the International Energy Agency (IEA) and the United Nations, in a scenario aiming to contain the rise in the average temperature of the planet to 1.5°C or *at least* well below 2°C, the share of thermal coal in the world's energy mix will have to decrease. According to the IEA's "Sustainable Development" or "Net Zero Emissions by 2050" scenarios, the conclusion is indeed clear: coal demand must be reduced by around 2,000 Mtoe<sup>10</sup> by 2030. According to a UNEP report<sup>11</sup>, coal production should be reduced by 11% per year between 2020 and 2030 to meet the climate objectives.

The problems associated with coal go beyond the climate, with significant impacts on air quality and biodiversity.

Only thermal coal activities are concerned. Metallurgical coal is not covered at this stage as it is mainly used for the production of coke for the steel industry and there are very few viable alternatives in the steel making process.

LFDE excludes from all of its investments companies generating more than **5%** of their turnover **from thermal coal mining**. Also excluded are companies generating more than **20%** of their turnover from **other thermal coal activities** (exploration, transport, logistics, engineering, operations).

LFDE also excludes companies whose **thermal coal-based electricity generation** exceeds **20%** of their energy mix, whose **thermal coal production** exceeds 10 million tonnes/year, whose **installed capacity of thermal coal-fired power plants** exceeds 5GW or those actively involved in **lobbying for thermal coal**. For the Sustainable Convictions Equity funds, the threshold for companies active in **coal-related transport and exploration** activities has been lowered to **5%**.

For more information, please see LFDE's 2021 [exit strategy for thermal coal](#).

## 2.6.2 CONVENTIONAL HYDROCARBONS

Hydrocarbons are formed during a very long process of decomposition of organic matter. Their progressive covering by layers of sediments, then the physical phenomena of burial and increase in pressure and heat lead to their decomposition into kerogen, then into hydrocarbons. Initially formed in a "Source rock", the permeability of intermediate rocks leads to its migration towards "reservoir rocks".

When the process of extracting these hydrocarbons can be done with so-called conventional vertical drilling methods - which occurs when the process of formation of the hydrocarbons has not been altered - we speak of conventional hydrocarbons (such as oil and gas...).

According to IPCC and IEA recommendations, the current sustained rate of hydrocarbon exploitation is not compatible with a climate trajectory below 2°C.

<sup>10</sup> Mtoe = Unit of measurement of energy in Megatonnes of oil equivalent. Source: World Energy Outlook 2020

<sup>11</sup> United Nations Environment Programme

Natural gas can, in certain specific cases, be used as a transitional fuel - regulated by the European taxonomy - in the case of replacing a coal-fired power plant with a gas-fired one. On the other hand, the risk of "lock-in"<sup>12</sup> is not neutral, as are the risks related to the gas supply chain.

LFDE excludes companies involved in the conventional hydrocarbons sector from its Sustainable Convictions Equity funds and Impact Investment funds. This includes companies generating more than 5% of their turnover from **the extraction, refining, trading, distribution, sale of equipment or services for the exploration and production of oil and natural gas or the generation of electricity from conventional fossil fuels**. This also includes **electricity generation** companies with more than 5% of their **installed capacity in fossil fuels**.

*Exception : Echiquier Climate & Biodiversity Impact Europe does not apply an exclusion on this criterion as part of its transition investment approach. Echiquier ARTY SRI also applies this list of exclusions, but only on criteria related to oil, not natural gas.*

2

### 2.6.3 UNCONVENTIONAL AND CONTROVERSIAL HYDROCARBONS

Unconventional hydrocarbons differ from their conventional counterparts in that their formation process has been altered, making them difficult to exploit. Their extraction requires the use of so-called unconventional methods, such as hydraulic fracturing. The energy produced from these hydrocarbons is then referred to as unconventional fossil fuels.

When extraction is carried out using conventional methods but under particular conditions, generating increased risks for local ecosystems, we speak of controversial fossil fuels.

The process of extracting non-conventional and controversial energies often requires more energy and water, emits more greenhouse gases and can have significant impacts on natural ecosystems (deforestation, oil spills, etc.).

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<sup>12</sup> the risk of prolonged use of fossil fuels due to the construction of new infrastructure that needs to be made profitable.

LFDE adopted in December 2021 an **exit policy on non-conventional and controversial hydrocarbons**.

As of July 2022, for all Sustainable Convictions and impact investment funds, LFDE has implemented two exclusion criteria:

- 1) Exclusion of companies **producing more than 10% of their total hydrocarbon production from unconventional and controversial hydrocarbons** (as a cumulative % of total fossil fuel production).
- 2) Exclusion of companies with more than **5% of their short-term expansion plans<sup>13</sup>** in unconventional and controversial hydrocarbon projects (as % of total expansion).

Within our policy, the unconventional hydrocarbons considered are: shale oil and gas, tight oil and gas (using hydraulic fracturing methods), oil sands, heavy and extra-heavy oil, coalbed methane. The controversial hydrocarbons considered are ultra-deep oil and gas (> 1,500 meters) and hydrocarbons from Arctic oil and gas fields.

**As of December 2024, these exclusions will apply to all LFDE ESG Integration funds.**

Finally, by **2030 at the latest, La Financière de l'Echiquier will exit from non-conventional and controversial fossil fuels** by no longer financing companies whose turnover is derived from such activities (0% threshold).

4

#### 2.6.4 NUCLEAR ENERGY

Although nuclear energy is a decarbonised source of energy, several major challenges remain: the risk of nuclear accidents, the risk linked to the management of nuclear waste and the challenges linked to the dismantling of power plants. Ongoing research into nuclear fission could help to remove some of these risks in the medium/long term.

Nuclear energy is a transitional energy and its benefits in terms of limiting climate change are proven.

In order to harmonise its exclusion policy and to comply with the requirements of several European labels, LFDE excludes from its Impact Investment funds, companies whose **electricity production or turnover is based on nuclear energy or activities related to nuclear energy production** exceed **5%**. Companies whose total installed nuclear power capacity exceeds 5% of the total installed capacity are also excluded.

*Exceptions and derogation: Echiquier Climate & Biodiversity Impact Europe does not apply an exclusion on this criterion as part of its approach to financing the transition. The sub-funds of Luxembourg SICAV ECHIQUIER FUND namely Echiquier Agenor SRI Mid Cap Europe Fund and Echiquier Major SRI Growth Europe Fund apply this exclusion list to comply with the specifications of European labels they have obtained.*

<sup>13</sup> Urgewald's Global Oil and Gas Exit List "Short Term Expansion" criterion.

## 2.7 GAMBLING

La Financière de l'Echiquier recognises the controversial nature of gambling, including sports betting, and the vulnerability of the stakeholders who engage in these activities. Excessive gambling is a form of behavioural addiction.

According to the “Santé Publique France 2019 barometer”, 47.2% of people aged 18 to 75 have played a game of money and chance in the year. Among them, 6% have problematic practices. The consequences of gambling addiction are mainly financial (excessive debt), social (social exclusion and isolation) and professional. They can have damaging repercussions for the gambler as well as for those around him.

LFDE excludes from its Sustainable Convictions funds and Impact Investment funds companies generating more than **5%** of their turnover from **gambling activities**.

## 2.8 ADULT ENTERTAINMENT

According to the French Ministry of Solidarity and Health, nearly one in three 12-year-olds has already been exposed to adult entertainment. Premature exposure of minors can lead to trauma, shock or complexity. In addition, there are the problems of prostitution and the involvement of people who are often minors, as well as problems related to the image of women and violence against women<sup>14</sup>.

LFDE excludes from its Sustainable Convictions funds and Impact Investment funds companies generating more than **5%** of their turnover from **pornography-related activities**.

## 2.9 ALCOHOL

Globally, alcohol is considered the third most important risk factor for disease, after high blood pressure and tobacco. In Europe, alcohol consumption is a major public health issue, being responsible for more than 7% of premature illness and death. La Financière de l'Echiquier considers that excessive consumption of alcohol products can lead to societal problems, particularly in terms of physical and mental health and road safety. Over-consumption of alcohol can also lead to addiction, social exclusion and isolation.

LFDE excludes from its Impact Investment funds companies generating more than **5%** of their turnover in **alcohol-related activities** (production, distribution and marketing).

<sup>14</sup> Raquel Kennedy Bergen and Kathleen A. Bogle, *Exploring the Connection between Pornography and Sexual Violence* (2000)

## 2.10 GMOs

A Genetically Modified Organism (GMO) is an organism (animal, plant, bacterium) whose genetic material has been modified by a technique known as genetic engineering to give it a new characteristic<sup>15</sup>. We are aware of the controversial nature of these practices, which may have a positive environmental or social interest through innovation, but have nevertheless been subject to abuses with significant negative impacts, particularly on biodiversity.

LFDE excludes from its Impact Investment funds companies generating more than **5%** of their turnover in **GMO-related activities**.

## 2.11 BIOCIDES

Biocides are substances intended to destroy, repel or render harmless organisms deemed harmful, such as fungi, bacteria, viruses, rodents and insects. Biocides have significant impacts on biodiversity through ecotoxicity as well as on health, such as causing endocrine disruption, cancer<sup>16</sup> or developing bacterial resistance. Biocides include pesticides, rodenticides and insecticides.

LFDE excludes from its Impact Investment funds companies generating more than **5%** of their turnover in **biocides-related activities**.

## 2.12 PALM OIL

Palm oil production is associated with deforestation, mainly in South-East Asia, with major impacts on ecosystems and CO2 emissions. According to the Indonesian Ministry of Environment and Forestry, approximately 24 million hectares of tropical forests were destroyed between 1990 and 2015. An analysis of the value chain is essential, particularly for companies in the agri-food sector, in order to ensure responsible practices (RSPO certification<sup>17</sup>, measures against forced labour, etc.).

LFDE excludes from its Impact Investment funds companies generating more than **5%** of their turnover from **palm oil production and/or distribution activities**.

<sup>15</sup> French Ministry of Agriculture and Food

<sup>16</sup> PubMed.gov, *Occupational pesticide exposure, cancer and chronic neurological disorders: A systematic review of epidemiological studies in greenspace workers*

<sup>17</sup> RSPO = Roundtable on Sustainable Palm Oil

## 2.13 OTHER TOPICS OF ATTENTION

In addition to the exclusions in force in its funds, La Financière de l'Echiquier pays particular attention to certain sensitive issues. This takes the form of an in-depth analysis of the companies involved in the following practices:

**BIOMASS:** By decomposition processes<sup>18</sup> of living organic matter, of plant origin (wood residues, agri-food co-products...) or animal origin, it is possible to obtain energy. This is what is known as biomass, often presented as a solution to climate problems, allowing the transition from coal-fired power stations to biomass power stations. Moreover, some practices in this segment can be responsible but require demanding policies to address the main issues inherent in these transformations:

- **CO2 emissions** throughout the life cycle can be higher per unit of energy produced with biomass than with coal combustion, if it is not properly sourced and burned. The use of biomass is therefore to be preferred in a cogeneration perspective.
- **Deforestation and loss of ecosystems:** The production of energy from wood residues can be virtuous. However, the increase in demand leads to abuses involving, for example, the deforestation of certain areas, resulting in the loss of biodiversity. It is therefore important to analyze the audit policy of the forestry projects of the companies concerned, as well as their use of certification bodies or external labels (FSC, PEFC, etc.). For wood supplies, multi-labelling is in our view essential to ensure the sustainability of the supply.
- **Air quality:** The combustion of biomass releases harmful particles (fine particles, etc.), which can cause serious respiratory problems.

**GEOTHERMY:** Geothermal energy consists in exploiting the heat stored underground to produce electricity or heat. *At first sight, the* advantages of such practices are numerous (low CO2 emissions, availability, etc.) for limited environmental impacts<sup>19</sup> (deforestation during the installation of power plants, waste and water management).

LFDE does not exclude biomass or geothermal energy production practices. However, we remain attentive to the risks implicit in the value chain, upstream and downstream, and study the practices of companies involved in these activities on a case-by-case basis.

<sup>18</sup> Methanisation or combustion

<sup>19</sup> <http://espace.inrs.ca/id/eprint/3346/1/R1650.pdf>

**TESTING ON ANIMALS:** Whether in pharmaceutical laboratories or in the chemical industry, many tests are carried out on animals. Most of the time, this is an obligation, regulated and mandatory for certain products. This is notably the case with the 2010 European directive, which States can apply as they see fit. Despite the obligation to carry out tests on animals before marketing, there is still opposition, particularly regarding the rationalization of tests carried out and animal suffering. More than 11 million animals were killed in laboratories in Europe in 2011. According to the latest report by the European Commission<sup>20</sup>, France is the European champion with 2.2 million animals sacrificed for medicine. For its opponents, animal experimentation is costly and limited in its effectiveness by the inherent biological differences between humans and certain animals<sup>21</sup>.

LFDE does not exclude companies that perform animal testing, but we remain attentive to controversies related to the subject, and value the transparency of companies (dedicated reporting) or the use of accreditations (AAALAC<sup>22</sup> or PETA<sup>23</sup>).

**INTENSIVE FARMING:** To cope with population growth, intensive farming has developed to be as productive and profitable as possible in a given area. These practices are more energy-intensive and have a strong impact on biodiversity, particularly through soil pollution, and on animal welfare. The practices used, such as feeding livestock, also have an impact on human health.

LFDE does not exclude companies active in intensive livestock farming, but we remain attentive to the controversies related to the subject.

**FUR:** Fur is a noble, natural, recyclable and biodegradable material, however, 85% of it comes from intensive breeding operations where animal welfare is not always a priority. We pay close attention to this issue when analysing companies.

LFDE does not exclude companies with fur-related activities, but we remain alert to the controversies surrounding the subject.

These activities are currently subject to increased vigilance during our analyses prior to any investment. La Financière de l'Echiquier reserves the right to develop financing framework policies for the most sensitive activities and subjects. Also, depending on the methodological developments of the various providers on the subject of exclusions, La Financière de l'Echiquier may implement investment restrictions on these activities.

<sup>20</sup> Source : <https://www.tf1info.fr/sante/5-choses-a-savoir-sur-les-experimentations-animales-1504686.html>

<sup>21</sup> [https://www.liberation.fr/france/2017/11/10/recherche-medicale-quelles-alternatives-a-l-experimentation-animale\\_1608466/](https://www.liberation.fr/france/2017/11/10/recherche-medicale-quelles-alternatives-a-l-experimentation-animale_1608466/)

<sup>22</sup> Assessment and Accreditation of Laboratory Animals Care

<sup>23</sup> People for the Ethical Treatment of Animal

### 3. EXCLUSION CONTROL PROCESS

For all the funds managed by La Financière de l'Echiquier, a **pre-trade control** is carried out to ensure that the portfolios comply with the sectorial and normative exclusion rules set for each fund.

Most of the lists of issuers to be excluded are provided by **MSCI ESG Research**. Only the thermal coal and unconventional and controversial hydrocarbons lists are provided by the **German NGO Urgewald**<sup>24</sup>.

They are integrated into our OMS (*Order Management System*) software, which **automatically blocks any purchase of securities on these lists**. The content of these lists is rigorously updated **quarterly** for MSCI ESG Research and **annually** for *Urgewald* by the team in charge of internal control.

If a security in the portfolio becomes ineligible with regard to the sectorial and normative exclusion rules set, a roadmap for the disposal of the security will be established with the portfolio manager, in the best interest of the holder and within a maximum period of one month. Under no circumstances may this security be reinforced within the portfolio in question.

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<sup>24</sup> *Global Oil and Gas Exit List* for unconventional and controversial fossil fuels, *Global Coal Exit List* for thermal coal.

## 4. IMPACT OF EXCLUSIONS ON MANAGEMENT

The information below is intended to provide an overview of the impact of our different levels of exclusion policies on several typical investment universes.

These approximate figures are provided for illustrative purposes.

Considering the 432 stocks making up the **MSCI Europe** as at 30/06/2022 :

### 1 - ESG INTEGRATION

. 12 companies were excluded, representing an exclusion rate of 2.8%.

> This represents 3.6% of the index.

### 2 - SUSTAINABLE CONVICTIONS

. 32 companies were excluded, representing an exclusion rate of 7.4%.

> This represents 9.6% of the index.

### 3 - EQUITY SUSTAINABLE CONVICTIONS

. 51 companies were excluded, representing an exclusion rate of 11.8%.

> This represents 12.7% of the index.

### 4 - IMPACT INVESTMENT

. 68 companies were excluded, representing an exclusion rate of 15.7%.

> This represents 18.4% of the index.

Considering the 1,546 stocks making up the **MSCI World** as at 30/06/2022 :

### 1 - ESG INTEGRATION

. 65 companies were excluded, representing an exclusion rate of 4.2%.

> This represents 3.7% of the index.

### 2 - SUSTAINABLE CONVICTIONS

. 135 companies were excluded, representing an exclusion rate of 8.7%.

> This represents 7.5% of the index.

### 3 - EQUITY SUSTAINABLE CONVICTIONS

. 209 companies were excluded, representing an exclusion rate of 13.5%.

> This represents 11.6% of the index.

### 4 - IMPACT INVESTMENT

. 245 companies were excluded, representing an exclusion rate of 15.9%.

> This represents 13.0% of the index.

## 5. ANNEXES

The following table is a summary of La Financière de l'Echiquier's exclusion policy, with details of the MSCI ESG Research and Urgewald criteria used and the associated definitions.

Exclusion	Perimeter	Criteria	Threshold	Definition
Tobacco producers	1	TOB_PROD_MAX_REV_PCT	5%	The recent-year percent of revenue, or maximum estimated percent, a company has derived from the manufacture of tobacco products.
Tobacco	2	TOB_DIST_MAX_REV_PCT	5%	The recent-year percent of revenue, or maximum estimated percent, a company has derived from the distribution of tobacco products.
		TOB_LIC_MAX_REV_PCT	5%	The recent-year percent of revenue, or maximum estimated percent, a company has derived from the licensing of its brand name to tobacco products.
		TOB_SUPP_MAX_REV_PCT	5%	The recent-year percent of revenue, or maximum estimated percent, a company has derived from supplying products essential to the tobacco industry.
		TOB_MAX_REV_PCT	5%	The maximum percentage of turnover (reported or estimated) that a company derives from its activities related to the tobacco industry.
		TOB_RET_MAX_REV_PCT	5%	The recent-year percent of revenue, or maximum estimated percent, a company has derived from retail sales of tobacco products.
Recreational Cannabis	1	CANNA_RECREATIONAL	True - 0%	Companies that produces and/or retails cannabis for recreational use.
		CANNA_MAX_REV_PCT	5%	The recent-year percent of revenue, or maximum estimated percent, a company has derived from cannabis-related business activities.
		CANNA_OWN_OF	-	Companies that own 20 to 49.99 percent of a company with involvement. When a company owns 50 percent or more of a subsidiary with involvement, MSCI treats it as a consolidated subsidiary
Controversial weapons	1	LM_TIE	True - 0%	Companies that have any industry tie to the manufacture of landmines except for Safety, which is a positive indicator.
		CB_TIE	True - 0%	Companies with any industry tie to cluster munitions.
		CWEAP_TIE	True - 0%	Companies that have any ties to cluster munitions, landmines, biological / chemical weapons, depleted uranium weapons, blinding laser weapons, incendiary weapons, and/or non-detectable fragments.
		WEAP_BIO_CHEM_MAX_REV_PCT	5%	The recent-year percent of revenue, or maximum estimated percent, a company has derived from the manufacture of chemical or biological weapons and related systems or components.
		WEAP_BLINDING_LASER	True - 0%	Companies that manufacture weapons utilizing laser technology that causes permanent blindness to the target.
		WEAP_BLINDING_LASER_OWN_OF	True - 0%	Ownership of a Blinding Laser Manufacturer
		WEAP_BLINDING_LASER_OWN_BY	True - 0%	Ownership by a Blinding Laser Manufacturer
		WEAP_INCENDIARY_WP	True - 0%	Companies that manufacture incendiary weapons using white phosphorus.
		WEAP_INCENDIARY_OWN_BY	-	Ownership By a Incendiary Weapons Manufacturer.
		WEAP_INCENDIARY_OWN_OF	-	Ownership Of a Incendiary Weapons Manufacturer.
		WEAP_NONDETECTABLE_FRAGMENTS	True - 0%	Ownership by a Non-detectable Weapons Manufacturer
		WEAP_NDF_OWN_BY	-	Ownership of a Non-detectable Weapons Manufacturer
		WEAP_NDF_OWN_OF	-	Companies that manufacture key biological and chemical weapons components.
		WEAP_BIO_CHEM_COMPONENT	True - 0%	Companies that manufacture biological and chemical weapons, including weapons that use pathogens such as viruses, bacteria, and disease-causing biological agents, toxins, or chemical substances that have toxic properties to kill, injure, or incapacitate.
		WEAP_BIO_CHEM_SYSTEM	True - 0%	Companies that are 50 percent or more owned by a company with biological and chemical weapons involvement.
		WEAP_OWNBIOCHEM	-	Companies that own 20 to 49.99 percent of a company with involvement. When a company owns 50 percent or more of a subsidiary with involvement, MSCI treats it as a consolidated subsidiary.
		WEAP_OWNOFBIOCHEM	-	Companies that own 20 to 49.99 percent of a company with involvement. When a company owns 50 percent or more of a subsidiary with involvement, MSCI treats it as a consolidated subsidiary.
		WEAP_OWNOFDU	-	Companies that are 50 percent or more owned by a company with depleted uranium weapons involvement.
WEAP_OWNBUDU	-	Companies involved in the production of depleted uranium (DU) weapons, ammunition, and armor, including companies that manufacture armor piercing, fin stabilized, discarding sabot tracing rounds (APFSDS-T); Kinetic Energy Missiles made with DU penetrators; and DU-enhanced armor, including composite tank armor.		
DU_WEAP	True - 0%	Ownership by a Non-detectable Weapons Manufacturer		
Weapons	2	WEAP_MAX_REV_PCT	5%	The recent-year percent of revenue, or maximum estimated percent, a company has derived from weapons systems, components, and support systems and services.
		FIREARM_MAX_REV_PCT	5%	The recent-year percentage of revenue, or maximum estimated percent, a company has derived from the manufacture and retail of civilian firearms and ammunition.
		WEAP_NUC_SYSTEM	True - 0%	Companies that manufacture nuclear weapons, including nuclear warheads, intercontinental ballistic missiles, and ballistic missile submarines, which are capable of the delivery of nuclear warheads.
		WEAP_NUC_MISSILE	True - 0%	Companies that manufacture nuclear warheads and/or whole nuclear missiles. Includes assembly and integration of warhead and missile body. INCLUDES companies with contracts to operate/manage government-owned facilities that manufacture nuclear warheads and missiles.
		WEAP_NUC_DUAL_COMPONENT	True - 0%	Companies that manufacture components that were not developed or not significantly modified for exclusive use in nuclear weapons (warheads and missiles). I.e., these components can be used in both nuclear and conventional weapons.
		WEAP_NUC_DUAL_DELIVERY	True - 0%	Companies that manufacture or assemble delivery platforms that were not developed or not significantly modified for the exclusive delivery of nuclear weapons. i.e., these platforms are capable of delivering conventional weapons.
		WEAP_NUC_EXCL_DELIVERY_PART	True - 0%	Companies that manufacture components for dual-use delivery platforms.
		WEAP_NUC_SUPPORT	True - 0%	Companies that provide auxiliary services related to nuclear weapons, such as repairing and maintaining nuclear weapons, providing overhaul and upgrade services (including engineering), stockpiling and stewardship, R&D work, testing and simulations, etc. INCLUDES companies with contracts to operate/manage government-owned facilities that conduct R&D, testing, simulations, and other essential sciences on nuclear weapons.
		WEAP_NUC_EXCL_COMPONENT	True - 0%	Companies that manufacture components that were developed or are significantly modified for exclusive use in nuclear weapons (warheads and missiles). INCLUDES companies with contracts to operate/manage government-owned facilities that manufacture components for nuclear warheads and missiles, such as fissile materials, non-nuclear components, explosives, triggers and detonators, etc.

		WEAP_NUC_EXCL_DELIVERY	True - 0%.	Companies that manufacture or assemble delivery platforms that were developed or significantly modified for the exclusive delivery of nuclear weapons.
		WEAP_NUC_FISSILE_MAT	True - 0%.	Companies involved in the production and/or storage of fissile materials used in/for nuclear weapons. Includes companies with contracts to operate/manage facilities that are responsible for the manufacture of fissile materials for nuclear weapons.
		WEAP_NUC_COMPONENT	True - 0%.	Companies that manufacture key nuclear weapons components.
UN Global Compact and very severe controversies	1	UNGC_COMPLIANCE	"Fail"	This factor indicates whether the company is in compliance with the United Nations Global Compact principles. The possible values are Fail, Watch List, or Pass. See the ESG Controversies and Global Norms methodology document for detailed explanations.
		CONTROVERSY_FLAG	"Red"	The overall controversy assessment signals whether a company has a notable controversy related to a company's operations and/or products, and the severity of the social or environmental impact of the controversy.
Thermal Coal	1	THERMAL_COAL_MAX_REV_PCT	5%	This factor identifies the maximum percentage of revenue (either reported or estimated) greater than 0% that a company derives from the mining of thermal coal (including lignite, bituminous, anthracite and steam coal) and its sale to external parties. It excludes revenue from metallurgical coal; coal mined for internal power generation (e.g. in the case of vertically integrated power producers); intra-company sales of mined thermal coal; and revenue from coal trading.
		URGEWALD "csr" > Coal Share of revenue	20%	Companies with more than 20% of their turnover in thermal coal activities (exploration, transport, logistics, engineering, operations, etc.).
		URGEWALD "csp" > Coal Share of power production	20%	Companies whose thermal coal-fired power generation, or alternatively installed capacity, exceeds 20% of their energy mix.
		URGEWALD "Thermal Coal production annual".	10MT/year	Companies with thermal coal production exceeding 10 million tons/year.
		URGEWALD "installed coal-fired generation	5GW	Companies with installed capacity of coal-fired power plants exceeding 5GW.
		URGEWALD "new developers	True - 0%.	Companies developing new projects involving the use of thermal coal across the entire value chain (mining, transport infrastructure, power plants), regardless of the size of the project. This also includes the extension of existing projects (modernisation, extension of the life of existing infrastructure, etc.).
Conventional hydrocarbons	3	OG_REV_EXTRACTION_PROD	5%	This factor identifies the maximum percentage of revenue (either reported or estimated) that a company derives from the extraction and production of oil and gas.
		OG_REV_REFINING	5%	This factor identifies the maximum percentage of revenue (either reported or estimated) that a company derives from refining oil and gas.
		OG_REV_TRADING	5%	This factor identifies the maximum percentage of revenue (either reported or estimated) that a company derives from the trading of oil and gas and related products.
		OG_REV_DISTRIBUTION	5%	This factor identifies the maximum percentage of revenue (either reported or estimated) that a company derives from the distribution and retailing of oil and gas and related products. It includes revenues from crude and petroleum products storage facilities and terminals, bulk stations, gasoline and fuel oil retail stations as well as liquefied petroleum gas stations and natural gas distribution.
		GENERAT_THERMAL_COAL_PCT	5%	Percentage of power generation from thermal coal
		GENERAT_OIL_GAS_PCT	5%	Percentage of power generation from liquid fuel and natural gas
		GENERAT_MAX_REV_OIL_GAS	5%	This factor identifies the maximum percentage of revenue (either reported or estimated) that a company derives from liquid fuel and natural gas based power generation.
		INSTAL_CAP_OIL_GAS_PCT	5%	This factor provides aggregate installed capacity for liquid fuel and natural gas as maximum percentage of total.
		OG_REV_EQUIPMT_SERVICES	5%	This factor identifies the maximum percentage of revenue (either reported or estimated) that a company derives from equipment and services for the exploration and production of oil and natural gas. It includes revenues from oil and gas exploration services, related equipment manufacturing, seismic surveys, engineering services and heavy construction related to oil and gas exploration activities. It excludes revenues from extraction & producti
		GENERAT_MAX_REV_THERMAL_COAL	5%	This factor identifies the maximum percentage of revenue (either reported or estimated) that a company derives from the thermal coal based power generation.
Unconventional and controversial hydrocarbons	2	SHALE_OIL_PRODUCTION	True - 0%.	This field identifies companies that provide evidence of producing oil using the method of hydraulic fracturing. This factor does not capture revenue from non-extraction activities (e.g. exploration, surveying, processing, refining); ownership of shale oil reserves with no associated extraction revenues; revenue from intra-company sales.
		SHALE_GAS_PRODUCTION	True - 0%.	This field identifies companies that provide evidence of producing gas using the method of hydraulic fracturing. This factor does not capture revenue from non-extraction activities (e.g. exploration, surveying, processing, refining); ownership of shale gas reserves with no associated extraction revenues; revenue from intra-company sales.
		OIL_SANDS_RESERVES	True - 0%.	This field identifies companies that provide evidence of owning oil sands reserves, including those that own less than 50% of a reserves field. Evidence of owning reserves includes companies providing the exact volume of reserves, and companies making a statement about their ownership of reserves.
		OIL_SANDS_MAX_REV_PCT	5%	This factor identifies the maximum percentage of revenue (either reported or estimated) greater than 0% that a company derives from oil sands extraction for a set of companies that own oil sands reserves and disclose evidence of deriving revenue from oil sands extraction. This factor does not include revenue from non-extraction activities (e.g. exploration, surveying, processing, refining); ownership of oil sands reserves with no associated extraction revenues; revenue from intra-company sales.
		SHALE_OIL_GAS_RESERVES	True - 0%.	This field identifies companies that provide evidence of owning shale gas and/or shale oil reserves, including those that own less than 50% of a reserves field. Evidence of owning reserves includes companies providing the exact volume of reserves, and companies making a statement about their ownership of reserves.
		ARCTIC_OIL_PRODUCTION	True - 0%.	This field identifies companies that provide evidence of producing Arctic oil. This factor does not capture revenue from non-extraction activities (e.g. exploration, surveying, processing, refining); ownership of Arctic oil reserves with no associated extraction revenues; revenue from intra-company sales.
		ARCTIC_GAS_PRODUCTION	True - 0%.	This field identifies companies that provide evidence of producing Arctic gas. This factor does not capture revenue from non-extraction activities (e.g. exploration, surveying, processing, refining); ownership of Arctic gas reserves with no associated extraction revenues; revenue from intra-company sales.
		URGEWALD - PRODUCTION	10%	Companies generating more than 10% of their total fossil fuel production from unconventional and controversial fossil fuels (as a cumulative % of total fossil fuel production), including the following Urgewald criteria: Fracking, Tar Sands, Coalbed Methane, Extra Heavy Oil, Ultra Deepwater and Artic.
		URGEWALD - SHORT-TERM EXPANSION	5%	Companies with more than 5% of short-term expansion plans in unconventional and controversial fossil fuel projects - as % of total expansion.
		Nuclear Energy	3	GENERAT_NUCLEAR_PCT
INSTAL_CAP_NUCLEAR_PCT	5%			Installed capacity for nuclear power as maximum percentage of total
NUC_MAX_REV_PCT	5%			The recent-year percent of revenue, or maximum estimated percent, a company has derived from nuclear power activities.

		GENERAT_MAX_REV_NUCLEAR	5%	This factor identifies the maximum percentage of revenue (either reported or estimated) that a company derives from the nuclear energy-based power generation.
<b>Gambling</b>	2	GAM_MAX_REV_PCT	5%	The maximum percentage of turnover (reported or estimated) that a company derives from gambling activities.
<b>Adult entertainment</b>	2	AE_MAX_REV_PCT	5%	The recent-year percent of revenue, or maximum estimated percent, a company has derived from adult entertainment.
<b>Alcohol</b>	4	ALC_MAX_REV	5%	The recent-year percentage of revenue, or maximum estimated percent, a company has derived from manufacturing, distributing, retailing, licensing, and supplying alcoholic products.
<b>GMOs</b>	4	GMO_MAX_REV_PCT	5%	The recent-year percent of revenue, or maximum estimated percent, a company has derived from genetic engineering related business activities.
<b>Biocides</b>	4	BIOCIDE_MAX_REV_PCT	5%	The recent-year percent of revenue, or maximum estimated percent, a company has derived from biocides.
<b>Palm oil</b>	4	PALM_TOTAL_MAX_REV_PCT	5%	The recent-year percentage of revenue, or maximum estimated percent, a company has derived from the production or distribution of Palm Oil.



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