INTRODUCTION

Declaration of Commitment

La Financière de l’Echiquier has been active in Socially Responsible Investment (SRI) since 2007. SRI is an essential part of the strategic positioning and management of the following UCITS funds:

- Echiquier Agenor Euro SRI Mid Cap
- Echiquier Agenor SRI Mid Cap Europe
- Echiquier Alpha Major SRI
- Echiquier ARTY SRI
- Echiquier Climate Impact Europe
- Echiquier Convexité SRI Europe
- Echiquier Credit SRI Europe
- Echiquier Major SRI Growth Europe
- Echiquier Positive Impact Europe

These funds have obtained the French State SRI label, in compliance with the updated specifications of 23/10/2020.

Furthermore, ESG criteria are integrated in the management of all of the other funds that La Financière de l’Echiquier actively manages.

We welcomed the adoption of the AFG/FIR Transparency Code in 2011 and have been updating it at least once a year since. It is updated at least annually.

Our complete response to the AFG - FIR Transparency Code can be consulted below and is accessible on our website in the "Responsible Investment" section of the page entitled "To find out more", under the heading "LFDE Documents - General approach".

Compliance with the Transparency Code

La Financière de l’Echiquier is committed to being transparent. We believe that we are as transparent as possible given the regulatory and competitive environment in the country in which we operate. We also support greater transparency on climate-related financial risks and thus support the Task Force on Climate-related Financial Disclosures (TCFD).

All of the funds actively managed by La Financière de l’Echiquier comply with all the recommendations of this Code, in accordance with their profile.

The funds managed according to quantitative and macro-economic strategies, Africa theme, as well as funds of funds are excluded from the scope. They represent about 8% of our assets under management at 31/12/2020.

Data as at 31/12/2020
Last update: May 2021
By: Fanny HERBAUT and Coline PAVOT - La Financière de L’Echiquier
SUMMARY

1. LIST OF UCITS FUNDS COVERED BY THIS TRANSPARENCY CODE

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1. LIST OF UCITS FUNDS COVERED BY THIS TRANSPARENCY CODE

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

The sector exclusions applied to each of these funds are detailed in paragraph 4.1 of this Transparency Code.

The funds presented below are split into three categories: Impact Investment, Socially Responsible Investment (SRI) and ESG Integration. These categories correspond to varying degrees of integration of ESG criteria into the asset management, with Impact Investment being the highest level. They will be explained in greater detail throughout this report.

All of our Impact and SRI funds have at least been granted the French State SRI label.

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<td>☑️ Best effort</td>
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<td>☑️ Exclusion</td>
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</tbody>
</table>
### ECHIQUIER ALPHA MAJOR SRI
- Best in universe
- Best effort
- Exclusion
- EU large-cap equities
- 85 M€
- SRI Label

### ECHIQUIER ARTY SRI
- Best in universe
- Best effort
- Exclusion
- EU and global equities
- Bonds and other international debt securities
- 942 M€
- SRI Label

### ECHIQUIER CONVEXITE SRI EUROPE
- Best in universe
- Best effort
- Exclusion
- Bonds and other international debt securities
- 172 M€
- SRI Label

### ECHIQUIER CREDIT SRI EUROPE
- Best in universe
- Best effort
- Exclusion
- Bonds and other debt securities
- 205 M€
- SRI Label

### ECHIQUIER MAJOR SRI GROWTH EUROPE *
- Best in universe
- Best effort
- Exclusion
- EU large-cap equities
- 848 M€
- SRI Label
- FNG Label ***
- Towards Sustainability Label

### DEDICATED UCITS AND "SRI" MANDATES (7)
- Best in universe
- Best effort
- Exclusion
- Euro zone small and mid-cap equities
- EU small and mid-cap equities
- 666 M€
- SRI Label (1)

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### ESG INTEGRATION

<table>
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<th>Dominant and complementary strategies</th>
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<td>ECHIQUIER ALTAROCCA CONVERTIBLES</td>
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<td>EU small cap equities</td>
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<td>ECHIQUIER WORLD EQUITY GROWTH *</td>
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</table>

For funds marked with an "*", the assets under management presented as at 31/12/2020 are those of the strategy, i.e. the sub-funds of French and Luxembourg SICAV funds. For each strategy, not all sub-funds are systematically labelled.
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
https://www.lfde.com/en/

2.2. What is the background and principles of the management company’s approach as a responsible investor?

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

Since La Financière de l’Echiquier was created in 1991, attention has been paid to analyzing corporate governance. Launched in 2007, La Financière de l’Echiquier’s responsible investment approach is part of its Corporate Social Responsibility (CSR) policy. This approach is based on a solid knowledge of companies based on years of meetings and exchanges with them, especially on governance aspects.

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 timelines below outline the main milestones that have marked La Financière de l’Echiquier’s commitment to responsible investing of over 13 years.
Principles of La Financière de l’Echiquier’s responsible investment approach:

For La Financière de l’Echiquier, being a responsible investor means: “Seeking performance by investing in companies where good governance and managerial excellence instill social and environmental initiatives that create value for all stakeholders”.

La Financière de l’Echiquier exercises its role as a responsible investor in three ways:

- **ESG integration: A common basis of responsibility for the fund management teams**
  
  Our ESG Integration policy - which considers environmental, social and governance criteria - applies to all actively managed funds by La Financière de l’Echiquier. This common basis of responsibility aims to gradually bring the practices of the entire fund management team closer to those of SRI-labelled funds. The analysis of non-financial criteria, and in particular of governance, allows us to identify ESG best practices and to better assess the risks facing companies. The main principles of this approach are as follows:

  o **Exclusions**: Several sectors are excluded from the investment universe, including tobacco production, controversial weapons, thermal coal production and recreational cannabis. A particular attention is also paid to companies subject to severe controversies according to MSCI ESG Research. This list includes companies proven guilty of violation of one or more of the ten principles of the United Nations Global Compact.

  o **ESG analysis**: At least 90% of the stocks in the portfolio must be ESG rated, with particular attention paid to the quality of corporate governance and MSCI ESG Research’s opinion on environmental and social issues. A minimum ESG rating of 4.0/10 is required to be eligible for an ESG Integration fund. In addition, these funds are committed to ensuring that their weighted average ESG rating is always higher than that of their investment universe.
- **Controversies**: Attention is paid to the existence of ESG controversies. An Ethics Committee meets to decide the most sensitive cases.

- **Dialogue**: Regular meetings with the management of investee companies to discuss the areas of improvement identified during the ESG analysis of each company.

- **Voting**: Systematic exercise of voting rights by all fund managers for 100% of the securities in the portfolios.

- **Transparency**: Increased transparency on our ESG Integration approach as well as on our investments through documents available on the website of La Financière de l’Echiquier.

### SRI: A reinforced commitment within our SRI funds

A historical player in SRI, La Financière de l’Echiquier has been offering SRI funds since 2010. In addition to our ESG integration policy, the creation of a dedicated offering demonstrates the company’s commitment in this area. Here, the analysis of extra-financial criteria has a substantial impact on stock picking. It helps to better identify risks and identify new investment opportunities. The main principles of this selective and restrictive approach are as follows:

- **Exclusions**: Expanded and strengthened exclusion policy for SRI funds

- **ESG analysis**: ESG rating of 100% of the stocks in the portfolio for the SRI Equities funds and at least 95% for the SRI Bonds and Multi-assets funds. ESG analysis of issuers is systematic and prior to investment. A minimum ESG rating is required to integrate SRI funds.

- **Controversies**: Daily alerts on ESG controversies and updates to the company’s ESG rating if warranted by the seriousness of the controversy.

**Dialogue**: Regular meetings with the management of investee companies during which ESG issues are addressed. ESG issues may also be addressed during dedicated interviews. Each ESG analysis is followed by the sharing of areas of improvement with the company concerned. The efforts made by companies on these areas of improvement are monitored over time.

- **Voting**: Systematic exercise of voting rights by all fund managers for 100% of the securities in the SRI portfolios.

- **Transparency**: Many documents available online on our SRI approach and methodology as well as on the investments made in these funds.

### Impact Investment: The new SRI frontier

In 2017, La Financière de l’Echiquier decided to adopt the UN Sustainable Development Goals framework for Echiquier Positive Impact Europe. This decision marks a significant shift for our asset management company towards impact investing. At the end of 2020, we added Echiquier Climate Impact Europe to our range of impact investments, as this fund integrates climate issues into its management process. Within this type of investment, our objective is to maximize the positive environmental and social impact of each of our investment decisions. The main principles of this approach are as follows:

- **Exclusions**: The exclusion policy for impact funds is more restrictive than for SRI funds.

- **ESG analysis**: ESG rating of 100% of the stocks in the portfolio. ESG analysis of issuers is systematic and prior to investment. It is fully internalized (no use of research from MSCI ESG Research). An ESG rating and a minimum impact score based on three proprietary methodologies are required for all investments in these funds.
- **Controversies**: Daily alerts on ESG controversies and updates to the company’s ESG rating if warranted by the seriousness of the controversy.
- **Dialogue**: The ESG analysis of an issuer is accompanied by a systematic interview dedicated to ESG issues. When the analysis is completed, we share suggestions for areas of improvement with the company concerned. The efforts made by companies on these areas of improvement are monitored over time.
- **Voting**: Systematic exercise of voting rights by the fund managers for 100% of the securities in impact portfolios.
- **Transparency**: In addition to the documentation available on our SRI funds, for these funds we also publish an annual impact report, which is available online on LFDE’s website.

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

**2.3. How did the management company formalise its responsible investment approach?**

Over the years, La Financière de l’Echiquier has formalised its responsible investment approach by incorporating it in its Corporate Social Responsibility (CSR) policy, of which it is the central element. This approach is based on a solid knowledge of companies based on years of dialogue and a particular attention paid from the outset to governance aspects.

The key steps in this formalisation were as follows:

- 1991-2007: Although there was no formal responsible investor approach, “common sense” principles were observed, such as the importance of good corporate governance and exercising voting rights at shareholder meetings.
- 2007: Creation of our proprietary ESG analysis methodology.
- 2011: Echiquier Major SRI Growth Europe (LFDE’s first SRI-labelled fund) was awarded the Novethic SRI label.
- 2013: Our engagement with companies was formalised with the specification of "areas of improvement".
- 2018: Formalising and strengthening of our ESG Integration approach (see below). In-depth training of the entire fund management team on ESG analysis and of the entire sales team on responsible investment. Establishment of an ethics committee.
- 2019: Publication of a study on the links between SRI and financial performance. Enlargement of our range of SRI-labelled funds (six funds with the French government’s SRI label) and some funds obtaining the German "FNG" label (with three stars) and the Belgian "Towards Sustainability" label.
- 2020: Expansion of our range of SR-labelled funds. Since the end of 2020, we have nine SRI-labelled funds.
It is important for La Financière de l’Echiquier to formalise this approach and its various steps both internally with employees and externally (visibility on the market and with our customers).

- **Internal formalisation**: The objective of internal formalizing of our approach is to support teams in understanding and appropriating the subject. The Responsible Investment (RI) Research team takes the lead in this regard, and in particular supports the Sales and Investment teams, who are at the heart of this process. Since the end of 2017, the RI Research team has been working hard to provide training in responsible investment to the Sales team, and in ESG analysis to the Investment team. For example, in 2020, the Investment team received training in the European taxonomy and governance, in collaboration with our partner OFG Research. In 2018, we also created a network of SRI ambassadors within La Financière de l’Echiquier. Their role is to become the SRI expert for their team, to provide information from the field to the RI Research team, and to provide constructive criticism of this team’s work. At the beginning of 2021, we also launched a new meeting to guide fund managers: "The Responsible Management Meeting". You will find more information about these meeting in section 2.5.

- **External formalisation**: We believe that formalising our external approach serves several purposes:
  
  o **It enhances visibility in the market place**: This involves participating in local events and initiatives to promote our expertise and responsible investment as a whole. This point is further developed in section 2.7. The publication of studies, such as the one on the links between SRI and financial performance, published since 2019 is part of this effort.
  
  o **Raising the awareness of customers and prospects**: To make our customers adhere to our responsible investment approach, it is essential to inform them and raise their awareness on this subject. Here, the work of our sales representatives, and the support of the RI Research team, is essential. In addition, the SRI events we organize throughout the year have an educational purpose. La Financière de l’Echiquier’s RI Research team plays a particularly active role in providing SRI training to clients. For this purpose, in the fall of 2019 it launched “LFDE’s SRI School”, a training program for its IFAs partners. Another initiative was the launching of a pedagogical podcast on the subject to responsible investment, in the fall of 2020.
  
  o **Information to our stakeholders**: We attach great importance to communicating in a transparent and proactive manner with all our stakeholders about our responsible investment approach. This Transparency Code is the most comprehensive tool for the formalisation of our approach. All of the 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 further developed in section 6.3.
  
  o **Academic course**: We believe it is important to train future finance professionals in responsible investment. The members of the RI Research team therefore give courses in RI each year in such universities as the NEOMA Business School and Paris Dauphine University. La Financière de l’Echiquier has also contributed to the creation of the “MSc Sustainable Finance & FinTech” degree at the SKEMA Business School, which will open its doors in September 2021.
2.4. How is the management company deal with ESG risks/opportunities, such as those arising from climate change?

Managing ESG risks and opportunities is central to La Financière de l’Echiquier’s responsible investment approach. These risks and opportunities have been assessed for several years in different ways through our different methodologies (ESG rating, SDG score and Climate Maturity Score):

- **Identifying risks**: Taking ESG criteria into account allows us to increase our knowledge of companies, better assess their risks and thus minimize the risk of our investments. Beyond this, our dialogue with companies around the areas of improvement we have set for them encourages them to better manage their main non-financial risks.

- **Detecting investment opportunities**: Beyond identifying risks, considering ESG criteria makes it possible to highlight companies that have placed sustainable development at the heart of their strategy and have made it a focus for growth and business development. This analysis allows us to identify and select companies that market products and services that provide concrete solutions to sustainable development challenges, as is the case in Echiquier Positive Impact Europe. By investing in the most virtuous companies, we highlight their ESG best practices and serve as a model for encouraging others to improve.

With regard to the risks and opportunities associated with climate change in particular, in early 2021 LFDE formalised an ambitious Climate Strategy which sets a number of objectives in order to progressively integrate the management of climate risks (including those associated with the protection of biodiversity) into all its investments. This strategy includes nine commitments, which combine ambition, transparency and pragmatism:

- **Governance**, to establish true climate governance at LFDE, at the highest level.
- **Integration** of climate issues in all the portfolios, and within all our business lines and decision-making.
- **Engagement**, to mobilise alongside us, by strengthening our voting policy and integrating climate issues into our engagement approach.
- **Engagement** again, to accelerate the transition, by intensifying our requirements for the sectors with the highest emission levels as part of a strict coal policy.
- **Education**, to heighten awareness among all our stakeholders and bring them on board.
- **Involving** clients in the transition of how their savings are managed, by implementing educational initiatives, including specific support for the integration of climate issues.
- **Sharing** with companies and our clients at an annual Climate seminar, which brings together climate experts and is intended to promote the exchange of best practice.
- **Transparency**, of course, for greater clarity and to report on the results achieved.

La Financière de l’Echiquier’s Climate Strategy is available in its entirety on our website, in the "Responsible Investment" section, on the "To find out more" page, under the heading "LFDE Documents - General Approach".

You may find more information on how we take climate risks into account for each of the funds we manage in section 3.4.
2.5. Which teams are involved in the management company’s responsible investment activity?

As part of our ESG Integration approach, all members of the 35-person Investment team as of 31/12/2020 are involved in La Financière de l’Echiquier’s responsible investment activity. The four members of the Asset Allocation team are progressively involved through the implementation of the proprietary “SRI Maturity by LFDE” methodology.

- RI Research team: The RI Research team (see section 2.6) is in charge of supporting all investment staff with this approach, monitoring the quality of their ESG research work, and carrying out quality controls on the ESG analyses performed. No ESG analyses are entered in our database until validated by the RI Research team. To ensure the success of this approach and enable everyone’s engagement, all members of La Financière de l’Echiquier’s Investment team are trained in ESG analysis to help them identify ESG risks and opportunities when making investment decisions. In addition to the above, the RI Research team recently launched a quarterly "Responsible Investment Meeting». This meeting provides an ideal forum for discussion between the RI Research team and the Investment team and for allocating ESG analysis work between the members of the investment team, increasing their knowledge of SRI topics and news, and informing them of developments in Financière de l’Echiquier’s responsible investment approach. The RI Research team is also responsible for producing the most "strategic" ESG analyses for the investment team. For this purpose, the organisation of an interview with an expert on the target company’s ESG issues is encouraged. In addition to the above, the RI Research team is also responsible for updating ESG and impact analyses and for coordinating a number of related projects, such as voting at shareholder meetings, shareholder engagement, reporting, new product development, etc.).

- Investment team: Seeing that ESG research is shared among the Investment team members is a cornerstone of our ESG Integration approach. This is ensured via our weekly updates during asset management meetings, and the Responsible Investment Meeting. We systematically send e-mail messages of all reports of meetings with companies and their corresponding ESG ratings and archive all ESG research work in our proprietary database. This database has the particularity of gathering financial and non-financial information on issuers in the same place. Our ability to initiate debate with companies and forge an opinion on their progress on these subjects relies on the development of an extra-financial culture shared by all LFDE’s RI Research team. Over the past few years, this database has been upgraded and its SRI functionality improved, to enhance the visibility to the ESG data made available to the Investment team.

- All La Financière de l’Echiquier employees: Responsible investment goes beyond Investment teams and is an integral part of the company, with all staff members, and our sales teams in particular, involved in the development and continuous improvement of our approach. To this end, almost all LFDE employees have received training on the subject and training sessions are organized on a regular basis. 2.6. An SRI Client Services officer was recruited for the Client Services team in 2020.

Furthermore, since 2020, the “contribution to LFDE’s responsible investment approach” is no longer just a group objective, as each employee’s individual objectives now include a specific ESG/SRI
objective that is taken into consideration when determining his/her variable annual remuneration. The underlying quantitative or qualitative targets for each employee depend on the employee’s job and responsibilities. The sustainability risks of our investments are taken into account in particular when determining the variable remuneration of investment team members (in proportion to the extent to which the fund they manage takes ESG criteria into account), and of LFDE’s senior executives. These objectives are evaluated both collectively and individually, during the year-end employee evaluations.

2.6. How many SRI analysts and how many SRI fund managers do the management company employ?

La Financière de l’Echiquier has a dedicated RI Research team of four people: the head of IR research and three SRI analysts who perform ESG analyses on companies and assist the investment management team.

In addition to these four people, eleven fund managers and five analysts work on SRI-labelled funds and conduct ESG analyses on the companies in their portfolios, with the support of the RI Research team.

2.7. In which Responsible Investment initiatives is the management company involved?

LFDE is involved in the following responsible investment initiatives:

- Generalist Initiatives:
  - Principles for Responsible Investment (PRI) - United Nations (2008)
    - Participation in The Investor Agenda collaborative environmental engagement campaigns, in 2019, and in initiatives to combat forest fires and deforestation in the Amazon.
    - Participation in the European Taxonomy working group, in 2020
    - Participation, in 2020, in the Climate Action 100+ collaborative environmental engagement campaign and in the forum for “Ensuring a sustainable financial system during the COVID-19 recovery phase”.
  - AFG - Responsible Investment Technical Committee (2013)
    - Member of the Restricted Responsible Investment Technical Committee composed of the French asset management companies the most involved responsible investment field
    - Participation in the "SDG" working group, in 2019/2020
    - Participation in the “AMF Consultation on ESG doctrine” and “Consultation on Article 8 of the Taxonomy” ad hoc working groups, in 2020.
    - Participation in the “Fossil Fuels”, “Impact” and “Biodiversity” working groups
- **Environmental and Climate Initiatives:**
  - The Carbon Disclosure Project (CDP), in 2013
    - Participation in the CDP’s Non-Disclosure Campaign, since 2020
    - Participation in the CDP’s Science-Based Targets Campaign, in 2020
  - EU Alliance for a Green Recovery (2020)
  - Task Force on Climate-related Financial Disclosures (TCFD) (2020)
  - Finance for Biodiversity Foundation (2020)
    - Participation in the “Measurement” and “Engagement with companies” working groups, in 2021
  - Net Zero Asset Managers Initiative (2021)

- **Social Initiatives:**
  - World No Tobacco Day - World Health Organization (2017)
    - Participation in several collaborative engagement campaigns alongside the Access to Medicine Index, since 2019
  - United Nations Global Compact & UN Women
    - Participation in the Women’s Empowerment Principles collaborative social engagement campaign, in 2019

Since early 2019, La Financière de l’Echiquier has increased its participation in market initiatives and thematic working groups (UN Sustainable Development Goals, SRI labels, impact, etc.). Its mobilization around collaborative engagement approaches with other investors was also strengthened. To find out more, please consult our voting and engagement report, available on La Financière de l’Echiquier’s website on the page entitled "To find out more", under "LFDE Documents - Shareholder dialogue" ». 
2.8. What is the total amount of SRI assets of the management company?

Only funds that have received one or more SRI labels, as well as mandates and funds subject to the same SRI constraints as these model strategies, are accounted for and referred to as "SRI assets under management".

LFDE’s total SRI assets under management at 31/12/2020 were €6,166M. Among these assets, those labelled SRI totalled €5,411M.

2.9. What is the percentage of the management company’s SRI assets under total assets under management?

As of 31/12/2020, SRI assets represented about 50.6% of La Financière de l’Echiquier’s total assets under management. Among these assets, SRI-labelled assets represented about 44.4% of La Financière de l’Echiquier’s total assets under management.
2.10. **What SRI-labelled funds open to the public are managed by the management company?**

La Financière de l’Échiquier manages nine funds that are available to the general public and have received the French State SRI label:

<table>
<thead>
<tr>
<th>Fund name:</th>
<th>Echiquier Agenor SRI Mid Cap Europe</th>
</tr>
</thead>
<tbody>
<tr>
<td>AuM at 31/12/2020:</td>
<td>2,507 million euros</td>
</tr>
<tr>
<td>Date of inception:</td>
<td>27/02/2004</td>
</tr>
<tr>
<td>Currency:</td>
<td>Euros (€)</td>
</tr>
<tr>
<td>SRI Strategies:</td>
<td>Best-in-Universe l Best Effort l Exclusion</td>
</tr>
<tr>
<td>Benchmark:</td>
<td>MSCI Europe Small Cap Net Return</td>
</tr>
<tr>
<td>Date granted first SRI label:</td>
<td>05/11/2019</td>
</tr>
<tr>
<td>SRI labels:</td>
<td>French State SRI label, Belgian label “Towards Sustainability”</td>
</tr>
<tr>
<td>Link to the documentation:</td>
<td><a href="https://www.lfde.com/en/our-funds/echiquier-agenor-sri-mid-cap-europe-i/">https://www.lfde.com/en/our-funds/echiquier-agenor-sri-mid-cap-europe-i/</a></td>
</tr>
</tbody>
</table>

Echiquier Agenor SRI Mid Cap Europe is a European Union mid-cap stock picking fund. The fund is positioned on growth stocks that can grow regardless of the cycle and maintain high levels of profitability over time. The fund selects issuers that stand out for the quality of their governance and their social and environmental policy. Echiquier Agenor Mid Cap Europe sub-fund of the Luxembourg SICAV is also an SRI fund, which follows a strategy identical to that of Echiquier Agenor SRI Mid Cap Europe sub-fund of the French SICAV, particularly on aspects of SRI processes, even if it has not been labelled.

<table>
<thead>
<tr>
<th>Fund name:</th>
<th>Echiquier Agenor Euro SRI Mid Cap</th>
</tr>
</thead>
<tbody>
<tr>
<td>AuM at 31/12/2020:</td>
<td>324 million euros</td>
</tr>
<tr>
<td>Date of inception:</td>
<td>27/12/2018</td>
</tr>
<tr>
<td>Currency:</td>
<td>Euros (€)</td>
</tr>
<tr>
<td>SRI Strategies:</td>
<td>Best-in-Universe l Best Effort l Exclusion</td>
</tr>
<tr>
<td>Benchmark:</td>
<td>MSCI EMU Mid Cap Net Return</td>
</tr>
<tr>
<td>Date granted first SRI label:</td>
<td>05/11/2019</td>
</tr>
<tr>
<td>SRI labels:</td>
<td>French State SRI label</td>
</tr>
</tbody>
</table>

Echiquier Agenor SRI Euro Mid Cap is a euro-zone mid-cap stock picking fund. The fund is positioned on growth stocks that can grow regardless of the cycle and maintain high levels of profitability over time. The fund selects issuers that stand out for the quality of their governance and their social and environmental policy.
Fund name: Echiquier Alpha Major SRI
AuM at 31/12/2020: 85 million euros
Date of inception: 17/04/2019
Currency: Euros (€)
SRI Strategies: Best-in-Universe I Best Effort I Exclusion
Benchmark: 80% Capitalized EONIA, 20% MSCI Europe Net Return
Date granted first SRI label: 05/11/2019
SRI labels: French State SRI label
Link to the documentation: https://www.lfde.com/fr/fonds/echiquier-alpha-major-sri-i/

Echiquier Alpha Major SRI is a covered-fund with a 0-40 net market exposure that relies on the expertise of Echiquier Major SRI Growth Europe. It aims to get exposure to European large cap equities with a quality and growth bias with a reduced volatility. The SRI process of this fund is exactly the same as that of Echiquier Major SRI Growth Europe.

Fund name: Echiquier ARTY SRI
AuM at 31/12/2020: 942 million euros
Date of inception: 30/05/2008
Currency: Euros (€)
SRI Strategies: Best-in-Universe I Best Effort I Exclusion
Benchmark: 50% IBOXX Euro Corporate 3-5 years, 25% EONIA compounded, 25% MSCI Europe Net Return
Date granted first SRI label: 18/12/2020
SRI labels: French State SRI label

Echiquier ARTY SRI is a multi-asset fund based on active and discretionary management combining the use of financial instruments (equities, bonds, negotiable debt securities) and financial futures. The management team establishes strategic and tactical positions. This involves decisions to buy or sell assets in the portfolio based on economic, financial and stock market expectations and incorporating ESG criteria for the selection of issuers in a significant way.

Fund name: Echiquier Climate Impact Europe
AuM at 31/12/2020: 13 million euros
Date of inception: 15/12/2020
Currency: Euros (€)
SRI Strategies: SRI Thematic I Best-in-Universe I Exclusion
Benchmark: MSCI Europe Net Return
Date granted first SRI label: 18/12/2020
SRI labels: French State SRI label
Link to the documentation: https://www.lfde.com/fr/fonds/echiquier-climat-impact-europe-i/
Echiquier Climate Impact Europe is a stock-picking fund that invests in European stocks of all sizes and styles, without sector bias, seeking long-term performance. The stock-picking process is based on the analysis of ESG criteria and the achievement of a minimum Climate Maturity Score. The aim of the fund is to select issuers that have integrated climate issues into their business and to direct financial flows towards companies that will create the carbon-neutral European economy of tomorrow. Like the other sub-fund of Echiquier Impact SICAV, Echiquier Climate Impact Europe benefits from exemplary governance with the choice of a majority independent board of directors, made up of experts in sustainable development and responsible finance who are able to challenge the work of the RI Research team and the management team.

Fund name: Echiquier Convexité SRI Europe  
AuM at 31/12/2020: 172 million euros  
Date of inception: 12/10/2006  
Currency: Euros (€)  
SRI Strategies: Best-in-Universe l Best Effort l Exclusion  
Benchmark: Exane Convertibles Index Europe  
Date granted first SRI label: 18/12/2020  
SRI labels: French State SRI label  
Link to the documentation: https://www.lfde.com/en/our-funds/echiquier-convexit-sri-europe-i/  

Echiquier Convexité SRI Europe is a bond fund that implements an active and discretionary management strategy on a portfolio of convertible bonds. It is mainly invested in "mixed" European convertible bonds and similar securities. The fund significantly incorporates ESG criteria in the selection of its underlying assets.

Fund name: Echiquier Credit SRI Europe  
AuM at 31/12/2020: 205 million euros  
Date of inception: 20/07/2007  
Currency: Euros (€)  
SRI Strategies: Best-in-Universe l Best Effort l Exclusion  
Benchmark: IBOXX Euro Corporate 3-5 years  
Date granted first SRI label: 05/11/2019  
SRI labels: French State SRI label  
Link to the documentation: https://www.lfde.com/en/our-funds/echiquier-credit-europe-i/  

Echiquier Credit SRI Europe is a fund with an investment strategy that is based on interest rate and credit risk management and which targets corporate bonds, mainly from the eurozone. The fund enhances the manager's credit analysis by significantly integrating ESG criteria in the issuer selection process.
Echiquier Major SRI Growth Europe is a European Union large-cap stock picking fund, seeking long-term performance. The fund is positioned on growth stocks that are among the leaders in their sector. The fund selects issuers that stand out for the quality of their governance and their social and environmental policy. Echiquier Major SRI Growth Europe sub-fund of the Luxembourg SICAV is also a SRI fund, which follows exactly the same strategy as that of Echiquier Major SRI Growth Europe sub-fund of the French SICAV, particularly on aspects of SRI processes, even if it has not been labeled.

Echiquier Positive Impact Europe is a stock-picking fund seeking long-term performance. Its investment universe is European stocks of all sizes and styles. To be selected, companies must be distinguished by their ESG quality and their contribution to the UN Sustainable Development Goals (SDGs). As a sub-fund of the French SICAV fund Echiquier Impact, Echiquier Positive Impact Europe benefits from exemplary governance with the choice of a majority independent board of directors, made up of experts in sustainable development and responsible finance who are able to challenge the work of the RI Research team and the management team.
3. GENERAL INFORMATION ABOUT THE UCITS PRESENTED IN THIS TRANSPARENCY CODE

In the following paragraphs, we will detail each aspect according to the profile of each fund, whether managed through an Impact Investment, SRI or ESG Integration approach. Funds managed according to an SRI and Impact Investment approach are grouped under the name "SRI-labelled funds". Each fund does not have the same constraints and is subject to a different management process. To do this, we will use the following color code:

- **[POSITIVE IMPACT]** for Echiquier Positive Impact Europe
- **[CLIMATE]** for Echiquier Climate Impact Europe
- **[MAJOR]** for Echiquier Major SRI Growth Europe and Echiquier Alpha Major SRI
- **[AGENOR]** for Echiquier Agenor SRI Mid Cap Europe and Echiquier Agenor Euro SRI Mid Cap
- **[CREDIT]** for Echiquier Credit SRI Europe
- **[ARTY]** for Echiquier ARTY SRI
- **[CONVEXITE]** for Echiquier Convexité SRI Europe
- **[ESG INTEGRATION]** for funds that are subject to ESG integration

3.1. What are the objectives of incorporating ESG criteria into the management process of the funds?

La Financière de l'Echiquier’s conviction stock-picking fund management is based on an in-depth knowledge of the companies it selects in its funds. Analysis of ESG criteria contributes significantly to a better understanding of these companies and a better assessment of risks.

In addition, as part of this ESG Integration approach, the RI Research team aims to raise the entire investment team's awareness of all the opportunities offered by taking into account the ESG criteria as described below. Training is an integral part of this awareness-raising work. Accordingly, all members of La Financière de l'Echiquier’s Investment team receive ongoing training in ESG analysis - to help them identify the ESG risks and opportunities of their investment cases - as well as a close monitoring throughout the year by the RI Research team.

In general, the objectives pursued by considering ESG criteria within LFDE’s Investment team are manifold:

- **Use available information that is little exploited**: ESG information about companies is often little exploited by investors. There is therefore a competitive advantage for those who are able to use this information to gain a better understanding of investee companies and thus make better informed investment decisions. As part of its ESG Integration approach, La Financière de l'Echiquier aims to capitalize on internal and external ESG research to enhance its stock-picking asset management and thus make it more differentiating. We are convinced that this approach brings real added value to our fund management.
- **Identifying risks**: Taking ESG criteria into account allows us to increase our knowledge of companies, better assess their risks and thus minimize the risk of our investments. Beyond this, our dialogue with companies around the areas of improvement we have set for them encourages them to better manage their main non-financial risks.

- **Detecting investment opportunities**: Beyond identifying risks, considering ESG criteria makes it possible to highlight companies that have placed sustainable development at the heart of their strategy and have made it a focus for growth and business development. This analysis allows us to identify and select companies that market products and services that provide concrete solutions to sustainable development challenges, as is the case in Echiquier Positive Impact Europe. By investing in the most virtuous companies, we highlight their ESG best practices and serve as a model for encouraging others to improve.

- **Finance and support the transition to a more sustainable economy**: Taking into account ESG criteria allows us to select and support the players we want to participate in the ongoing transition to a more sustainable economy. In this way, we have the power to support fundamental trends in society, like the energy transition, responsible consumption, and gender equality.

- **Have a positive social and environmental impact**: In the case of SRI-labelled funds, considering ESG criteria can make it possible to identify players with a positive social and/or environmental impact and to support them in order to leverage and to sustain their impact. The impact report published on Echiquier Positive Impact Europe fund enables us to objectify this point.

- **Bringing new investment solutions to our clients**: Considering ESG criteria in our funds allows us to provide new investment solutions to increasingly demanding clients who want to invest in accordance with their values. We are also offering them greater transparency about their investments.

All these objectives support the argument that ESG criteria may be considered to be a potential performance driver, something that the Management Committee and all LFDE employees firmly believe. A study by LFDE published annually since 2019 has documented and confirmed this conviction that SRI and financial performance are not incompatible, quite the contrary! Investing in companies with the highest ESG ratings over time delivers better performance than the main indices, also outperforming companies with medium or low ESG ratings. The full study is available on our website in the "Responsible Investment" section, on the "To find out more" page, under the "LFDE Documents - General Approach" section.

In the case of our SRI-labelled funds, the objectives sought by considering ESG criteria are as follows:

- **[POSITIVE IMPACT]**: By using ESG criteria, Echiquier Positive Impact Europe, as an impact fund, seeks to invest in companies with a concrete positive environmental and social impact and thereby contribute to the UN Sustainable Development Goals. Through this approach, the SICAV seeks to capture the growth of products and services with a positive environmental and/or social impact, and thereby help finance the transition to a more sustainable economy.
- **CLIMATE**: The inclusion of ESG criteria in the management process of Echiquier Climate Impact Europe enriches the analysis of companies through a better understanding of ESG risks and opportunities. The aim of the fund is to select issuers that have integrated climate change issues into their activities and to direct financial flows towards the companies that will create the carbon-neutral European economy of tomorrow. For this purpose, the Fund invests in three types of companies: "Solutions" companies, which offer concrete solutions to climate issues through their products and/or services; "Pioneers" companies, which have already taken an ambitious and successful approach to climate change, and "Transition" companies, which are beginning their transition and integrating climate issues into their strategy, even if their performance still needs to be improved. The fund combines a "Best in Universe" approach for the Pioneer companies, with a "Best effort" approach for the Transition companies and the Solution companies, which with their products and/or services provide concrete responses to the challenges of the energy transition.

- **MAJOR**: The purpose of incorporating ESG criteria into the management process of Echiquier Major SRI Growth Europe and Echiquier Alpha Major SRI is to identify the ESG risks of companies in their investment universe. These funds also seek to identify growth and leadership companies that take advantage of their positioning to invest in ambitious CSR initiatives that improve their environmental and social impact. They thus position themselves as benchmark players in ESG practices who are leading the way for the other companies in their sector. In a "Best Effort" approach, these funds also seek to invest in companies that are improving their ESG practices, to support them in this effort and to thus profit from the positive impact of these measures on their valuations and risk exposures.

- **AGENOR**: Echiquier Agenor SRI Mid Cap Europe and Echiquier Agenor Euro SRI Mid Cap seek, by considering ESG criteria, to identify two company profiles within their investment universe. First, these criteria allow them to detect opportunities of investments in companies with good ESG profiles, positioned in growth through their products and services having a positive social and/or environmental impact. These funds also seek, on a best effort basis, to invest in companies that are beginning their CSR project and are seeking to improve their ESG practices. These companies are often set aside by responsible investors because of their lack of transparency on these issues. Our proximity to them allows us to go beyond this lack of transparency and to obtain an accurate vision of their ESG positioning. Our engagement approach is then essential with these companies we advise and assist in improving their ESG practices.

- **CREDIT**: Taking ESG criteria into account in its investment process allows Echiquier Credit SRI Europe to enrich its credit analysis of issuers by better understanding the risks that apply to each issuer. This approach makes it easier to identify the ESG risks of issuers in its investment universe and to understand certain binary risks (fraud, fines, conflicts of interest, etc.), thus completing the credit analysis perfectly. In its socially responsible investment process, this fund places emphasis on the quality of governance. This allows for example the identification of a management team's potential to make decisions against the interests of minority shareholders and/or creditors, which represents a major risk to an issuer's credit profile.
- **ARTY**: Echiquier ARTY SRI’s management process aims to identify companies with good ESG profiles for both equity and bond investments. Its "best effort" approach allows the fund to invest in companies that are improving their ESG practices, to them in this effort, and to profit from the positive impact of these measures on their valuation and risk exposure. The systematic ESG analysis of issuers places particular emphasis on the quality of governance. This enables managers and analysts to identify, for example, when a management team takes decisions that conflict with the interests of minority shareholders and/or creditors.

- **CONVEXITE**: The inclusion of ESG criteria in Echiquier Convexité SRI Europe’s management process allows it to combine its analysis of convertible bonds with an ESG analysis of the underlying companies. This process gives the fund manager a better view of each issuer’s risk exposure and makes it possible to identify investment opportunities in companies with good ESG profiles, with an emphasis on the quality of their corporate governance. This detailed analysis of the governance systems of issuers enables managers and analysts to assess, for example, management’s capacity to take decisions that are against the interests of minority shareholders and/or creditors, which represents a major risk for the issuer’s credit profile.

3.2. What internal and external resources are used for the ESG evaluation of the issuers that make up the investment universe of the funds?

As part of our responsible investment approach, our approach to ESG evaluation of issuers draws on both internal and external resources. Our analyzes are fed by our regular meetings with company management and their long-term support through our shareholder engagement approach. The use of non-financial rating agencies is complementary to our internal analytical work.

Multiple external resources are used to support our ESG evaluation of issuers, such as:

- Reading the company’s public documentation (annual reports, CSR reports, etc.)
- Consulting brokers or NGOs reports
- Review of press articles
- Site visits and meetings of various executives (Chief Executive Officer, Chief Financial Officer, Head of Human Resources, Quality Manager, Chief Environmental Officer, Legal Officer, etc.)
- Our subscription to MSCI ESG Research giving us access to ESG profiles of numerous companies and controversy tracking
- ISS governance research subscription, which provides us with a detailed report on each investee company at its Annual General Meeting period.
- Subscription to networks of experts (Gerson Lehrman Group and Third Bridge) to deepen our knowledge on specific themes
- The subscription to the OFG research on the theme of governance, which gives us additional insight into the quality of boards of directors of French companies
- Subscription to Capital IQ to access, among other things, corporate governance information
- The Carbon Disclosure Project (CDP) environmental data platform
- Subscription to Trucost ESG Analysis’s Eboard platform
- The UN Global Compact database
- The Iceberg Data Lab climate database
3.3. What ESG criteria do funds take into account?

The main ESG criteria considered in the investment process of our funds as part of our ESG analysis methodology are as follows:

- **Governance:**
  - **Management team skills:**
    - For the CEO: legitimacy in the industry, track record, managerial capacity, leadership and structure of the compensation scheme.
    - For the executive committee: composition, diversity, relevance of the functions represented and commitment to CSR topics.
  - **Checks and balances:** sources of checks and balances within the board, anticipating the CEO’s succession, matching of director profiles with the company’s needs, gender diversity on the board, geographical diversity, availability and involvement of directors.
  - **Respect for minority shareholders:** benefits for the company to be listed, anti-takeover mechanisms and financial reporting transparency.
  - **Evaluation of ESG risks:** ESG risk identification and management, anti-corruption and responsible taxation, quality of reporting and CSR discourse and progress on ESG issues.

For the analysis of unlisted bond issuers, the "Respect for minority shareholders" section is replaced by "Respect for creditors". This includes the following criteria: the leverage target is consistent with the company's credit rating; financial aggressiveness; transparency and quality of financial information; and the quality of auditors.

- **Environment:**
  - **Policy and actions:** the existence of an environmental roadmap (with precise and time-dated objectives that enable progress to be measured), the choice of performance indicators for this roadmap, the level of the company’s commitment to its environmental objectives, the environmental actions implemented to achieve the objectives set, the existence of an environmental management system and a policy for protecting biodiversity.
  - **Results:** the company’s communication on the results of its action plan (results presented over a long period and progress), evolution of the main environmental ratios (water consumption, CO2 emissions, energy consumption, waste production and treatment, use of chemicals, etc.) and investments made to reduce the company’s environmental impact.
  - **Suppliers:** their exposure to environmental risks, the complexity of the supply chain, dependence on suppliers, support provided to improve practices and supplier monitoring.
  - **Environmental impact of products:** positive or negative environmental impact of products, eco-design approach, existence of product life cycle analyses, circular economy, green share of the company’s annual revenue and management of the end of product life.
- **Social:**
  - **Employee loyalty & development:** attractiveness of the employer brand, capacity to recruit, employee satisfaction, employee loyalty policy, career management, training policy and employee retention potential.
  - **Employee Protection:** anti-discrimination policy, health and safety protection for employees, quality of social dialogue and support for employees in the event of restructuring.
  - **Suppliers:** their exposure to social risks, the complexity of the supply chain, dependence on suppliers, support provided to improve practices and supplier monitoring.
  - **Social impact of products:** social impact of products for the customer and society (e.g. cost avoidance) and product accessibility.
  - **Relations with civil society:** the company's philanthropic approach (of which skill-based philanthropy), relations with local communities, customer satisfaction and participation in financial sector CSR initiatives.

**[ POSITIVE IMPACT ] + [ CLIMATE ] + [ MAJOR ]:** These funds use all the criteria detailed above because their ESG analyses are conducted entirely by La Financière de l’Echiquier’s investment management team, i.e. without the use of an ESG rating agency’s services.

**[ AGENOR ] + [ CREDIT ] + [ ARTY ] + [ CONVEXITE ] + [ ESG INTEGRATION ]:** These funds use the governance criteria described above, as the analysis of governance is fully internalized. Regarding the environmental and social criteria used, they may differ from those presented above since the environmental and social research for these funds is conducted with the support of MSCI ESG Research, which has its own analytical system for these criteria. These are adapted to the sector and the challenges of each of the companies analysed. If some companies do not have the MSCI ESG Search available, the ESG analysis is then fully internalized and all the criteria detailed above are used.

All these ESG criteria are used to determine an ESG score out of 10 which is assigned to each company. This is composed as follows:

- **Governance:** The Governance rating represents approximately 60% of the overall ESG rating. This is a historic bias of La Financière de l’Echiquier, which has attached importance to this aspect since its creation. This belief is reinforced by the fact that all ESG analyses produced by La Financière de l’Echiquier benefit from a governance rating that is carried out entirely in-house.

- **Environmental and Social:** Environmental and social criteria together constitute the Responsibility score. How the latter is calculated depends on the type of company involved:
  - For industrial companies: social and environmental criteria are equally weighted in the Responsibility score.
  - For service companies: social criteria account for 2/3 of the Responsibility score, while environmental criteria account for the remaining 1/3.

An ESG controversy penalty is taken into account and directly impacts the ESG rating. You will find more information on this penalty in point 3.6 of this Transparency Code.
3.4. What climate-change principles and criteria do the funds take into consideration?

At La Financière de l’Echiquier, we are convinced that climate change has and will have a major impact on our society and companies. Climate change must therefore be an integral part of our analysis of the environmental risks of the companies within our investment universe. This analysis must both provide an understanding of the company’s exposure to climate change risks and how it anticipates, manages and mitigates them. Examples include physical risks resulting from climate change that can have direct financial consequences (due to damage to assets) or indirect impacts arising from supply chain disruption. Financial performance can also be affected by many other factors, including water availability, water supply and quality, food security, and extreme temperature changes affecting buildings and operations.

Our funds take climate-change principles and criteria into account in several ways:

- **Within the ESG rating and in particular the Environmental rating**: These issues are analysed for each company through their environmental policy and measures implemented to reduce their impact on climate change. The environmental rating represents approximately 20% of the ESG rating of an "Industrial" issuer, and approximately 15% for a "Services" issuer. This ESG rating constitutes a more or less restrictive filter within the management processes of our funds that observe ESG criteria.

- **Through the analysis of the carbon footprints of our funds**: This analysis is conducted for all of our actively managed funds. It enables managers to monitor the carbon footprint of their investments. For our nine SRI-labelled funds, we have committed to ensuring that their carbon footprint in million of euros of annual revenue is systematically higher than that of their benchmark. This is consistent with the implementation of La Financière de l’Echiquier’s Climate Strategy, which commits us to progressively integrate other climate indicators into our fund management processes, starting with our SRI-labelled funds.

- **[POSITIVE IMPACT] Within the “SDG Score”**: Climate-change criteria are taken into account when selecting companies, via the "Solutions" Score for issuers that contribute at least 20% of their annual revenue to the UN Sustainable Development Goals (SDGs), including the following two:
  o SDG 7: Affordable and clean energy
  o SDG 11: Sustainable cities and communities

This dimension is also addressed by the "Initiatives" Score, which, for example, assesses ambitious efforts to achieve carbon neutrality and use renewable energies. As this SDG score measures the net contribution, it penalizes companies that have a negative impact on climate change through their products and services and the conduct of their activities.

- **[CLIMATE] With the “Climate Maturity Score”**: Climate-change criteria are taken into account when selecting companies, via the Climate Maturity Score. It assesses how mature issuers are in addressing climate-related issues.

More information on the calculation of the Climate Maturity Score may be found in point 4.1.
As biodiversity protection 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 sectoral matrix, which was developed using the available research on this subject (ENCORE tool, SASB materiality grid, NGO reports, broker research, etc.). This matrix allows us to identify each sector’s impact on biodiversity.

When this issue is material, we use this tool to integrate biodiversity protection issues in our company analyses in the following ways:

- **Within the ESG rating**: We first integrated the theme of biodiversity into the analysis of corporate environmental policies, by means of a specific question on biodiversity management.
- **[POSITIVE IMPACT] Within the “SDG Score”**: Our score addresses the theme of biodiversity both during the analysis of the company’s products and services (via the “Solutions” Score) and the analysis of its responsible business practices (via the "Initiatives" Score).
- **[CLIMATE] Within the “Climate Maturity Score”**: We have integrated the theme of biodiversity into our LFDE Climate Maturity methodology. If the company belongs to a sector with a high impact on biodiversity, we devote 15% of the Climate Maturity Score to the company's response to mitigate this impact. If the company is in a sector with a low impact on biodiversity, the biodiversity issue is not taken into account in the Climate Maturity score.

Given the limited 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 continuous improvement process. To this end, we joined the Finance for Biodiversity Foundation’s initiative at the end of 2020 and have committed, by 2024, to integrate biodiversity criteria into our analyses, to measure the impact of our investments, to publish them transparently and to engage with companies on this subject.

### 3.5. What is the ESG analysis and assessment methodology for issuers (construction, rating scale, etc.)?

Irrespective of the fund concerned managed by La Financière de l’Echiquier, the ESG analysis and evaluation methodology for issuers includes the following steps:

- **Preparatory work**: The ESG analysis of issuers begins with a document review phase using all the internal and external resources described in the paragraph 3.2. This preliminary analysis is guided by our proprietary assessment matrix covering all ESG aspects detailed in paragraph 3.3.
  - For **[POSITIVE IMPACT] [CLIMATE] [MAJOR]**, this preparatory work covers the three environmental, social and governance pillars, which will be fully analyzed internally by the investment team.
  - For **[AGENOR] [CREDIT] [ARTY] [CONVEXITE] [ESG INTEGRATION]** fund managers and analysts mainly focus on analyzing corporate governance, with environmental and social dimensions analyzed with the support of MSCI ESG Research. In the case of convertible bonds, an asset class that is present in the **[ARTY] and [CONVEXITE]** funds, the rating is based on the company of the underlying stock. As the funds favour the most convex stocks, the growth potential will be determined by the performance of the underlying stock, which makes it the ideal target for ESG analysis.
In the case of listed options, the rating is also done on the underlying, since the main risk is the exposure to its performance.

**ESG interview:**
- The ESG interview is systematic in the management process of positive impact, climate and major. It is an opportunity for us to delve deeper into the themes on which we lacked information during our literature review and to challenge companies on their key issues. This step is essential, especially for small companies. It allows us to obtain additional information and to not penalize them for their lack of transparency (often due to the lack of human resources dedicated to these subjects internally and not their lack of commitment on ESG subjects). It also enables us to take a critical look at the information publicly disclosed by the company and to protect ourselves against the risks of greenwashing.
- The ESG interview is not mandatory in the management process of Agenor, Credit, Artby, Convexit and ESG integration. It will be conducted at the discretion of fund managers and analysts. However, during their many meetings with companies throughout the year, fund managers and analysts are encouraged to increase their knowledge of companies by addressing the most "material" ESG topics. The areas of improvement for companies, which managers and analysts systematically draft after each ESG analysis, help to feed these exchanges. In the event that certain stocks in the investment universe are not covered by MSCI ESG Research (mainly small cap companies), it is common for this interview to take place within the framework detailed above.

**Synthesis and Evaluation:** At the end of the preparatory work and/or the ESG interview, a synthesis of all the information obtained is produced. It allows us both to draw up a qualitative report on our analysis, to monitor the company over time and to carry out a quantitative assessment so as to define the issuer's ESG rating in question. Since 2007, ESG assessment has been conducted using a proprietary assessment grid that is based on the three traditional pillars: Environment, Social and Governance.

The specific features of our assessment methodology are as follows:
- It covers all the Environment, Social and Governance pillars, as detailed in paragraph 3.3.
- A significant weight is devoted to governance within the ESG rating (approximately 60%) and in particular to the assessment of the management team's competence.
- The weighting of the Environmental and Social scores within the ESG rating depends on whether the company's business is "Industrial" or "Services" (see table below).
- We do not standardise our ESG ratings (by capitalisation size, by sector, etc.)
- The weighting given to each sub-theme of three pillars was determined by LFDE's RI Research team.
- The rating scale ranges from 0 to 10, with 10 being the best score.
- The existence of a controversy penalty in the calculation of the ESG rating. This directly impacts the ESG rating and sanctions controversial companies on ESG aspects.
While the ESG analysis is fully internalized for issuers in [POSITIVE IMPACT], [CLIMATE] and [MAJOR] portfolios, this is generally not the case for [AGENOR], [CREDIT], [ARTY], [CONVEXITE] and [ESG INTEGRATION]. To facilitate the expansion of ESG coverage of issuers across our investment universes, we rely on the Research by MSCI ESG Research for the rating of issuers on environmental and social criteria. Environmental and social ratings - if available - are then included in our proprietary ESG issuer rating grid. The platform also assists them in analyzing controversies, particularly on governance aspects. A controversy alert system was set up on the MSCI ESG Research platform. For more information, see paragraph 3.6 of the Transparency Code. Apart from this, the rating model remains strictly the same as for SRI-labelled funds (weightings, criteria, etc.). If on some issuers, mainly small companies and unlisted bond issuers, the research of MSCI ESG Research is not available, then the entire ESG rating is internalized. Each of the ESG analyses produced is checked by the RI Research team before publication in our database, with the dual objective of training teams on a continuous basis and standardizing rating practices across management.

<table>
<thead>
<tr>
<th>ESG RATING</th>
<th>MANUFACTURING</th>
<th>SERVICES</th>
</tr>
</thead>
<tbody>
<tr>
<td>GOVERNANCE SCORE</td>
<td></td>
<td></td>
</tr>
<tr>
<td>x Management team</td>
<td>50%</td>
<td>50%</td>
</tr>
<tr>
<td>x Check and balances</td>
<td>17%</td>
<td>17%</td>
</tr>
<tr>
<td>x Respect of minority shareholders</td>
<td>16%</td>
<td>16%</td>
</tr>
<tr>
<td>x Non-financial risk assessment</td>
<td>17%</td>
<td>17%</td>
</tr>
<tr>
<td>RESPONSIBILITY SCORE</td>
<td>37.50%</td>
<td>37.50%</td>
</tr>
<tr>
<td>ENVIRONMENT SCORE</td>
<td>50%</td>
<td>34%</td>
</tr>
<tr>
<td>x Policies and actions</td>
<td>33%</td>
<td>33%</td>
</tr>
<tr>
<td>x Results</td>
<td>33%</td>
<td>33%</td>
</tr>
<tr>
<td>x Supply chain monitoring</td>
<td>17%</td>
<td>17%</td>
</tr>
<tr>
<td>x Product environmental impact</td>
<td>17%</td>
<td>17%</td>
</tr>
<tr>
<td>SOCIAL SCORE</td>
<td>50%</td>
<td>66%</td>
</tr>
<tr>
<td>x Employee loyalty and development</td>
<td>34%</td>
<td>34%</td>
</tr>
<tr>
<td>x Employee protection</td>
<td>33%</td>
<td>33%</td>
</tr>
<tr>
<td>x Supply chain monitoring</td>
<td>11%</td>
<td>11%</td>
</tr>
<tr>
<td>x Product social impact</td>
<td>11%</td>
<td>11%</td>
</tr>
<tr>
<td>x Relationship with civil society</td>
<td>11%</td>
<td>11%</td>
</tr>
<tr>
<td>CONTROVERSITY SCORE</td>
<td>max. - 20%</td>
<td>max. - 20%</td>
</tr>
</tbody>
</table>

- Engagement: In 2013, we formalized our engagement approach based on the monitoring of the ESG progress of the companies in which we are invested. This enables us to prioritize companies that are committed to improvement, in accordance with the “Best Effort” approach. This approach focuses on three main areas:
  1. Our initial ESG meeting with companies is crucial to fully understand the extra-financial challenges they face.
  2. At the end of the interview, we establish with our contacts two or three priority topics on which improvements are expected. These objectives are called “areas of improvement”. We want the goals shared with the company to be realistic, measurable and auditable. These areas of improvement are formalized and sent to the company.
3. During the follow-up meeting, which takes place on average every two years, we assess together the progress achieved based on the objectives previously formalised (areas of improvement achieved, partially achieved or not achieved), and together redefine the next areas of improvement.

This approach is carried out in a rigorous and systematic manner with all the issuers represented in the [POSITIVE IMPACT], [CLIMATE], [MAJOR] and [AGENOR] portfolios.

In the case of the [CREDIT], [ARTY], [CONVEXITE] and [ESG INTEGRATION] portfolios, fund managers and analysts maintain a dialog with issuers throughout the year. The engagement process is less formalised and areas for improvement are not systematically sent. However, they are sent to the companies as far as possible. ESG topics are more regularly included in discussions with companies, via the areas of improvement that fund managers and analysts have identified during their ESG analyses.

In addition to individual engagement with companies, in 2019 La Financière de l’Echiquier initiated a collaborative engagement approach, in collaboration with other stakeholders, such as asset management companies. Several initiatives were joined during the year, allowing us to discuss with companies’ themes that are more difficult to address individually. More information on the initiatives in which we have participated can be found in paragraph 2.7 of this Transparency Code and in our report on the exercise of voting rights and engagement.

- **Voting**: Voting is an integral part of LFDE’s responsible investment approach and of our responsibility as a shareholder. In this context, we have undertaken to vote systematically for all our funds, regardless of the percentage of capital or voting rights that we hold. Voting is governed by La Financière de l’Echiquier’s voting policy, which is available on our website in the "Responsible Investment" section, on the "To find out more" page, in the "LFDE documents - Shareholder dialogue" section. In this context, we carefully consider any resolution that could be detrimental to the interests of the company or those of minority shareholders as well as resolutions of an environmental and social nature.

3.6. How often is the ESG evaluation of companies revised? How are controversies managed?

The ESG valuation of issuers in our portfolios is reviewed every two years. The time of sustainable development can be long. As a result, company-wide changes that can occur in ESG aspects typically take time to materialize and have little or no short-term impact. Their effects are visible over a longer period. We have therefore decided to review every two years the progress of companies’ ESG practices within our portfolios. These follow-up meetings also serve to verify that the company is making progress in social, environmental and governance matters, and in particular in the areas of improvement that we had defined together two years before. The management team's competency rating, which is a central element of our governance rating, can be updated more regularly in the event of a change in the CEO.

[POSITIVE IMPACT]: For Positive Impact Europe fund, the "SDG Score" is reviewed every two years, in parallel with the ESG analysis review.
For Climate Impact Europe fund, the Climate Maturity Score is reviewed annually. This score is updated more frequently than the ESG evaluation of issuers and the SDG score because it is important to closely monitor the climate maturity of companies, since this theme is at the core of the fund's management process.

At La Financière de l’Echiquier, our teams manage ESG controversies about issuers with the support of MSCI ESG Research’s research, as follows:

- **During the ESG analysis of companies:** Since 2017, our ESG analysis methodology has included a controversy malus in the calculation of the ESG rating. This directly impacts the ESG rating. This allows us to sanction more directly companies that we consider deserve to have their ESG rating reduced following one or more significant controversies. In addition, the history of the company’s ESG controversies will impact our vision of the company on all three ESG pillars. For the POSITIVE IMPACT, CLIMATE and MAJOR portfolios, the maximum penalty is 2 points (in 0.5 increments) and may be applied to all three pillars of the ESG controversies. For AGENOR, CREDIT, ARTY, CONVEXITE and ESG INTEGRATION portfolios, the maximum penalty is 1 point and only sanctions governance controversies. This difference is explained by the fact that MSCI ESG Research incorporates and penalizes, directly in its environmental and social ratings, any controversy that an issuer may have on these two dimensions.

- **During the monitoring of companies in the portfolio:** A daily monitoring of the ESG controversies of companies in our portfolios is carried out by our teams with the support of the research from MSCI ESG Research. For this purpose, a controversy alert system has been set up on the MSCI ESG Research platform to directly notify fund managers and investment teams when a new ESG controversy on a security is detected and/or if a controversy situation significantly improves or deteriorates. After establishing a dialogue with the company to determine its level of severity, a significant controversy involving a company will have a direct impact on its ESG rating.

  o For SRI-labelled funds: If the controversy occurs while the issuer is already present in our portfolio, its ESG rating will be lowered. If the fund falls below the eligibility threshold (between 5.5/10 and 6.5/10 depending on the fund type), it will be removed from the portfolio within one month, in the best interest of investors. For CLIMATE fund, climate-related controversies can have a 5% to 20% negative impact on the Climate Maturity score (see paragraph 4.1 for the methodology).

  o For ESG Integration funds: There is no automatic divestment requirement for an issuer in the portfolio that would be the subject to significant controversy. However, each case of serious controversy must go through our ethics Committee, which will decide for or against the sale of the security. This committee’s decisions will seek to protect the interests of our investors and LFDE’s reputation. More details on this set up in the following paragraph.

- **By the ethics Committee:** The ethics Committee is a cornerstone of our responsible investment approach. Created in 2018, its aim is to address the controversial issues (at company and sector level) that come before us both internally and externally. In addition to deciding controversial issues, the committee must demonstrate to La Financière de l’Echiquier’s customers, employees and other stakeholders that we address these issues conscientiously. This committee is a forum for discussion.
Its debates and conclusions are shared through reports, within our community, on a dedicated platform. It allows us to progress collectively towards better risk management and to safeguard our reputation.

The permanent members of this committee are the Chief Executive Officer, the Chief Investment Officer, the Head of Compliance, the Head of Private Client Management and the Head of Marketing and Communication. Although this committee is only composed of internal employees of La Financière de l’Echiquier, the ethics committee reserves the right to consult external experts to learn about topics which would be on the agenda of the ethics committee. Depending on the issue dealt with, the committee’s meetings may include the participation of the relevant fund manager and a member of the RI Research team, who will present and discuss the issue’s ESG aspects.

The ethics Committee meets at least once a year to review the list of securities and sectors that are excluded from La Financière de l’Echiquier’s investment universe, and on a case-by-case basis as required. The committee may meet at the request of any LFDE stakeholder whose request is deemed legitimate by the RI Research team.

The ethics Committee generally deals with the following business: defining exclusion lists, responding to client questions, the emergence of a serious controversy involving a company in a portfolio, and new investment opportunities involving a highly controversial company (e.g. considered to be seriously controversial by MSCI ESG Research, which includes companies in violation of one or more of the ten principles of the United Nations Global Compact).

If the Ethics Committee decides not to maintain a position in a portfolio, the fund manager has up to one month to exit the position, in the best interest of investors.

The work of raising awareness and training investment teams around SRI aims to make them aware of the added value of ESG analysis in studying the risks and opportunities of their investment cases. The RI Research team’s ongoing efforts in this respect are essential to raising everyone’s awareness of ESG issues and thereby minimizing the number of decisions that are referred to the ethics Committee.

The Ethics Committee met twice in 2019. This has made it possible to extend La Financière de l’Echiquier’s exclusion policy to companies producing, selling or distributing recreational cannabis (tolerance threshold of 5% of turnover) as well as companies owning participations in companies involved in these activities. It also decided to exclude a controversial company in the video surveillance sector from all funds. In 2020, this committee met twice. It decided to exclude the gambling and adult entertainment sectors from all of our SRI-labelled funds and to extend La Financière de l’Echiquier’s exclusion policy to include controversial weapons.
4. UCITS FUND MANAGEMENT PROCESS

4.1 How are ESG research results taken into account in the construction of the portfolio?

All funds managed by La Financière de l’Echiquier integrate the results of ESG research into their portfolio construction process, but with varying degrees of restriction. The management process steps described below involve the use of filters that progressively limit the investment universe of the funds:

- **EXCLUSION FILTER**: ESG research on sector exclusions has an impact on the portfolio construction of all funds managed, including ([POSITIVE IMPACT], [CLIMATE], [MAJOR], [AGENOR], [CREDIT], [ARTY], [CONVEXITE] and [ESG INTEGRATION]). La Financière de l’Echiquier systematically excludes, from all of its funds, any company that:
  - Derives more than 5% of its annual revenue from the production of tobacco,
  - Derives more than 5% of its annual revenue from the production, sale and distribution of recreational cannabis, or holds shares in one or more companies that are involved in these activities.
  - In line with the Ottawa (1997) and Oslo (2008) conventions, direct investment is excluded in companies that manufacture, sell, store and transfer cluster bombs and anti-personnel landmines, with no minimum annual revenue requirement.
  - We also exclude, subject to the same conditions, companies that are involved in the following types of controversial weapons: biological and chemical weapons, depleted uranium weapons, blinding laser weapons, incendiary weapons and weapons with non-detectable fragments.
  - Companies in the thermal coal sector, in accordance with the rules of our coal policy, the objective of which is complete cessation of thermal coal financing by 2030. La Financière de l’Echiquier’s Coal Policy is freely available on our website in the "Responsible Investment" section, on the "To find out more" page, under the heading "LFDE Documents - General Approach".
  
In addition, on a normative basis, a particular attention is also paid to companies subject to severe controversies according to MSCI ESG Research. This list includes companies proven guilty of violation of one or more of the ten principles of the United Nations Global Compact. [INTEGRATION] By default, these companies are formally excluded and if a manager wishes to invest in one of the companies on this list, he will have to convene the ethics Committee, which will carefully study each request. Only the committee will be able to declare an exemption and to decide if the stock, despite its controversial profile, can be invested. If a waiver is granted, it will only be valid for funds that are subject to ESG integration. We also exclude companies affected by the “US Executive Order 13959” sanctions.

In addition to these exclusions, the following SRI-labelled funds: ([POSITIVE IMPACT], [CLIMATE], [MAJOR], [AGENOR], [CREDIT], [ARTY] and [CONVEXITE]) exclude investment in any company deriving more than 5% of its revenue from the sectors of tobacco, weapons (in general, and including nuclear weapons with no minimum revenue requirement), gambling and adult entertainment. Some SRI-labelled equity funds ([POSITIVE IMPACT], [MAJOR] and [AGENOR]) also exclude the fossil fuels sector.
Fossil fuel exclusions most notably include:

- The extraction, refining, trading and distribution of conventional and non-conventional oil (including shale oil and shale gas from hydraulic fracturing or oil sands methods for example)
- Ownership of reserves and/or infrastructure used to produce oil, natural gas or non-conventional oil
- Electricity production from oil, natural gas or nuclear
- Activities related to nuclear energy (for example: uranium mining, component manufacturers and operators for nuclear power production).

Our policy of exclusion from the fossil fuels sector is in line with the requirements of the German "FNG" and "Towards Sustainability" labels.

The exclusion policy observed by [POSITIVE IMPACT] and [CLIMATE] funds is even more demanding. In addition to the above sectors, these funds exclude companies that obtain more than 5% of their annual revenue from the alcohol or GMO sectors, or from controversial medical practices. Echiquier Positive Impact Europe’s exclusion policy is for us compatible with the Social Doctrine of the Church.

This exclusion policy allows us, by giving up funding for certain controversial sectors and practices, to not support the negative social and/or environmental impact of these companies. The data used to determine our exclusions (except for thermal coal) are provided by MSCI ESG Research and are updated quarterly.

The table below summarizes LFDE’s exclusion policy:
ESG EXCLUSIONS FILTER:

[ESG INTEGRATION]: ESG integration means that traditional investment management takes environmental, social and governance criteria into account. As with financial research data, the information derived from ESG research may be used by fund managers to enhance their knowledge of companies and make investment decisions. For example, the ESG ratings of issuers can be compared with the company’s stock market valuation in order to see if the ESG risks identified during the analysis are included in it. The RI Research team works continuously to raise the awareness of fund managers and financial analysts and assist them in making the best use of ESG research. All ESG analyses are checked by the RI Research team before publication. This serves to provide ongoing training to investment teams and harmonize scoring practices across the management team.

For example, ESG Integration funds apply the same ESG rating filter to select of securities. These securities must have a minimum ESG rating greater than or equal to 4.0/10. This ESG rating is a minimum ESG exclusion filter that ensures that companies with the highest ESG risks will not be invested in. This filter was added to the management process of ESG Integration funds at the beginning of 2021, when we strengthened our approach to comply with AMF Doctrine No. 2020-03 on the application of extra-financial criteria.

In addition, decisions made by the ethics committee - concerning companies considered controversial from an ESG point of view - may have an additional impact on the management of funds subject to ESG Integration.

[POSITIVE IMPACT], [CLIMATE], [MAJOR], [AGENOR], [CREDIT], [ARTY] and [CONVEXITE]:

Within the framework of SRI-labelled funds, ESG research (and in particular the ESG ratings of issuers) plays a particularly important role in the construction of portfolios. In this context, these funds apply an ESG rating filter to stock selection. Companies must have a minimum ESG rating of at least 5.5/10 for [AGENOR], [CREDIT], [ARTY] and [CONVEXITE], and at least 6.0/10 for [CLIMATE] and [MAJOR], and at least 6.5/10 for [POSITIVE IMPACT]. These minimum ESG ratings depend on the fund’s non-financial objective and on the ESG quality of its investment universe. In all cases, the fund’s exclusion policy and minimum ESG rating must enable the fund to exclude at least 20% of its investment universe. The selectivity ratios for each of the SRI-labelled funds as at 31/12/2020 are detailed in the table below.

[MAJOR]: In addition, since 2018, Echiquier Major SRI Growth Europe and subsequently Echiquier Alpha Major SRI have been using ESG factors to determine allocation weightings. Thus, when a company’s ESG rating is higher than the fund’s average ESG rating, fund managers may, at their discretion, increase the company’s weighting within the portfolio. This increase may not exceed 1% of the initial weighting and must be based solely on the financial investment case.
Echiquier ARTY SRI and Echiquier Convexité SRI Europe also use ESG criteria to determine weightings. Thus, when a company’s ESG rating is higher than 7,0/10, the fund managers may, at their discretion, increase the weighting of the company’s security within the portfolio. This increase may not exceed 0.2% of the initial weighting. Note that for ARTY, this increase applies only to the equities in the fund’s portfolio.

You will find below a summary table of the ESG profiles of each SRI-labelled fund of La Financière de l’Echiquier as of 31/12/2020:

### A look at the selectivity rate methodology:

A look at the selectivity rate methodology: To calculate the selectivity rate of the issuers in the investment universe of the funds for which we do not have internal ESG ratings, we use MSCI ESG Research’s E, S and G ratings, which we weight according to our proprietary rating methodology described in paragraph 3.5. If the MSCI rating is not available for a company in the investment universe, it is not used to calculate the selectivity rate.

If the fund’s portfolio includes commercial paper, the calculation of the fund’s selectivity rate will include the commercial paper in its investment universe to the extent of its weighting in the fund.

The method for calculating the selectivity rate that is required for the French State SRI label involves only two steps: sector and normative exclusions and the ESG analysis filter. The Impact scores used in our two impact funds and described below are therefore not taken into consideration here, but still increase the fund’s selectivity.
- IMPACT FILTER:

Echiquier Positive Impact Europe invests only in companies that contribute positively to the UN Sustainable Development Goals (SDGs). For this purpose, we have implemented an “Impact” filter that enables us to include only companies that make a net positive contribution to these objectives in our investment universe. To identify these companies, we have implemented 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 explained below:

a. “Solutions” Score over 100 points: this score measures the percentage of revenue that the company earns from the net contribution to one or more of the nine SDGs selected by the RI Research team. These nine SDGs were selected, among the seventeen identified by the UN, for their strong economic materiality. If a company analysed also has a portion of its revenue that negatively contributed to one or more of these nine SDGs, then that percentage would be reduced by its negative contribution. This is referred to as the net positive contribution. The nine selected SDGs are as follows:

1. SDG 3: Good health and well-being. We measure the percentage of sales derived from the health, insurance or road safety sectors.
2. SDG 4: Quality education. We measure the percentage of sales in the education sector.
3. SDG 6: Clean water and sanitation. We measure the percentage of sales derived from water-saving, water treatment and water access solutions.
4. SDG 7: Affordable and clean energy. We measure the percentage of sales in the clean energy and energy efficiency sectors.
5. SDG 8: Decent work and economic growth. We measure the percentage of sales derived from sustainable tourism, supply chain audits and productivity tools.
6. SDG 9: Industry, innovation and infrastructure. We measure the percentage of sales derived from new production techniques, information technology and digitisation.
7. SDG 11: Sustainable cities and communities. We measure the percentage of sales in solutions for smart cities (buildings, mobility, urbanism, etc.), in security, sustainable mobility, CO2 reduction solutions, air quality and in waste management.
8. SDG 12: Responsible consumption and production. We measure the percentage of sales linked to products having a positive environmental impact and / or being eco-designed, dematerialisation, responsible food and recycling.
9. SDG 16: Peace, justice and strong institutions. We measure the percentage of sales derived from solutions for improving institutional efficiency, eradicating the underground economy, combating corruption and cybersecurity.

This matrix is the result of our own interpretation and internal work based on the UN guidelines (goals and targets) as well as dialogue with our stakeholders and the SDG ecosystem. A minimum threshold of 20% of revenue, 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 following equivalence: 10% of sales = 10 points.

b. “Initiatives” Score on 100 points: this score measures the net positive contribution to the UN’s seventeen SDGs of a company’s significant environmental, social and societal actions and initiatives. The RI Research team has identified one or more significant initiatives a company may implement to contribute to each of the seventeen SDGs. The number of points awarded to each of these initiatives depends on their impact and the level of commitment the company has made to achieve them. On the contrary, if it contravenes one or more of these SDGs through its actions, it will be penalized in equal proportions. The net sum of all of a company’s initiatives (both positive and negative) on the seventeen SDGs is what determines the “Initiative” Score.

Since 2021, we decided to link the points awarded to each company for both of these scores with each of the SDG targets, to enable a more granular analysis and a more accurate assessment of each company’s contribution.

The average of these two net scores enables us to determine each issuer’s “SGD Score”. With this Impact filter, to be included in Echiquier Positive Impact Europe portfolio, an issuer must obtain a minimum “Solutions” Score of 20/100 (i.e. 20% of its annual revenue makes a net positive contribution to the nine selected SDGs) and an “SGD Score” of 25/100.

Echiquier Positive Impact Europe enables allocation weightings to be adjusted on the basis of ESG factors. Thus, the ESG rating and the SDG score may be used to adjust a company’s weighting in the portfolio (from -1% to +1%). This requires that the ESG rating and the SDG score exceed the portfolio average.

[ CLIMATE ] Echiquier Climate Impact Europe employs an impact filter that is based on our proprietary Climate Maturity score and reflects a company’s progress in addressing climate issues, which is measured in %. This indicator is based on the expertise of the investment team and the ongoing advice provided by I Care & Consult. It uses retrospective and prospective qualitative and quantitative factors to measure a company’s maturity in addressing climate change. The analysis of a company’s Climate Maturity is based on three things:

1. CLIMATE GOVERNANCE (30% OF THE SCORE)
   . Climate strategy decision-making body: Involvement of the CEO, the Board of Directors, etc.
   . Integration of climate criteria in senior management remuneration structure
   . Level of climate expertise on the Board of directors: board of director members and/or committees capable of addressing the company's climate issues.
   . Consideration given to transition risk: Identification, analysis and management of transition risk.
   . Consideration given to physical risk: Identification, analysis and management of physical risk.
2. **CLIMATE COMMITMENT (60% OF THE SCORE)**
   - *Climate roadmap*: quantified emission reduction targets, choice of appropriate climate indicators.
   - *Integration of climate issues in the supply chain*: process for and quality of monitoring suppliers' environmental and climate practices.
   - *Historical carbon trajectory*: carbon intensity history over the last three years compared to the Paris climate agreement target, participation in climate initiatives and authoritative external recognition (e.g. SBT, ACT, RE100, CDP (A or A-)).

3. **JUST TRANSITION (10% OF THE SCORE)**
   - *Employment consequences of the company's climate trajectory*: Identification and management of restructuring risk, job destruction arising from the climate trajectory.
   - *Affordability of products and services produced by the climate trajectory*: Potential impact of the energy and ecological transition on the price of the company's products and services.

4. **CLIMATE CONTROVERSIES (MAX. 20% OF THE SCORE)**: A penalty is applied to the company's Climate Maturity score if it is involved in a climate-related controversy. For this purpose, we use MSCI ESG Research data and take only climate-related controversies into account (e.g. emissions of CO2 or other greenhouse gases, soil or ocean degradation, etc.). Depending on the severity of the controversy, the penalty applied to the Climate Maturity score may range from 0% to -20%, in increments of -5%.

The fund is organised into three components to enable issuers to be assessed in accordance with their degree of maturity in addressing climate issues. For each of these three segments, a minimum climate maturity score has been defined that is used to select the companies in the portfolio:

- **“Solutions” component**: Companies with products and/or services that provide concrete solutions to climate issues. To be eligible, these companies must obtain a minimum Climate Maturity score of 40% and a Solutions score of more than 20% (i.e. the % of net revenue that contributes to SDG 7 and/or 11).

- **“Pioneers” component**: Companies that have already implemented an ambitious and successful climate transition process. For these companies, a minimum Climate Maturity score of 60% is required.

- **“Transition” component**: Companies that have not yet begun or have just started their climate transition. For these companies, a minimum Climate Maturity score of 40% is required.

To visualise, for each of our SRI-labelled funds, how ESG research results are taken into account in the construction of the portfolio, you will find in the image below, the details of each investment process, as of date of 31/12/2020:
ECHIQUIER POSITIVE IMPACT EUROPE

Investment Universe
Companies listed in the European Union, all market capitalizations

Companies with an ESG rating made by LFDE

1. EXCLUSION FILTER
Norm-based and Sector Exclusions

2. ESG CONVICTION FILTER
ESG Rating ≥ 6.5/10

3. SOLUTIONS FILTER
SDG Score ≥ 25/100

Financial Selection
Meeting with management, investment case and valuation

Portfolio
Echiquier Positive Impact Europe

ECHIQUIER CLIMATE IMPACT EUROPE

Investment Universe
Companies listed in the European Union, all market capitalizations

Companies with an ESG rating made by LFDE

1. EXCLUSION FILTER
Norm-based and Sector Exclusions

2. ESG CONVICTION FILTER
ESG Rating ≥ 6.0/10

3. CLIMATE FILTER
Climate Maturity Score ≥ 40/100

Financial Selection
Meeting with management, investment case and valuation

Portfolio
Echiquier Climate Impact Europe
ECHIQUIER MAJOR SRI GROWTH EUROPE

Starting universe
Companies listed in the European Union with a market cap of more than EUR 5bn

Watchlist
Leadership and annual revenue growth > 5%

1. EXCLUSION FILTER
Norm-based and Sector Exclusions

2. ESG CONVICTION FILTER
ESG Rating ≥ 6.0/10

Fundamental Analysis
Meeting with management, investment case and valuation

Portfolios
Echiquier Major SRI Growth Europe
Echiquier Alpha Major SRI

ECHIQUIER AGENOR SRI MID CAP EUROPE

Starting universe
Companies listed in the European Union with a market cap of between 1Mds€ and 10Mds€

1. EXCLUSION FILTER
Norm-based and Sector Exclusions

2. ESG CONVICTION FILTER
ESG Rating ≥ 5.5/10

Liquidity filters
Daily transaction volume of minimum 1M€

Operational filters
Stock market resilience and operating performance

Fundamental Analysis
Meeting with management, investment case and valuation

Portfolio
Echiquier Agenor SRI Mid Cap Europe
EQUIER AGENOR EURO SRI MID CAP

Starting universe
Companies listed in the Euro Zone with a market cap of between 500M€ and 10Mds€
≈ 660 stocks

1 EXCLUSION FILTER
Norm-based and Sector Exclusions

2 ESG CONVICTION FILTER
ESG Rating ≥ 5.5/10
≈ 450 stocks

Liquidity filters
Daily transaction volume of minimum 500K€
≈ 250 stocks

Operational filters
Stock market resilience and operating performance
≈ 100 stocks

Fundamental Analysis
Meeting with management, investment case and valuation

Portfolio
Echiquier Agenor Euro SRI Mid Cap
≈ 30 stocks

EQUIER CREDIT SRI EUROPE

Starting universe
European Union Corporate Bonds: Investment Grade and High Yield
≈ 580 stocks

Companies with an ESG rating
≈ 360 stocks

1 EXCLUSION FILTER
Norm-based and Sector Exclusions

2 ESG CONVICTION FILTER
ESG Rating ≥ 5.5/10
≈ 230 stocks

Fundamental Analysis

Portfolio
Echiquier Credit SRI Europe
≈ 70 stocks
**ECHIQUIER ARTY SRI**

**Equity component**
- Initial investment universe
  - European Equity with a market cap > 500 M€
- Norm and Sector based
  - ESG Rating ≥ 5.5/10*
  - 1350 stocks
    - WITH ESG rating
    - WITH ESG rating
  - 1480 stocks
    - WITHOUT ESG rating

**Corporate bond component**
- Initial investment universe
  - Investment Grade and High Yield European corporate bonds
- Norm and Sector based
  - ESG Rating ≥ 5.5/10*
  - ≤ 430 issuers
    - WITH ESG rating
    - WITHOUT ESG rating
  - ≤ 259 issuers
    - WITH ESG rating
    - WITHOUT ESG rating

**ESG CONVICTION FILTERS**

**SELECTION**
- To be invested the issuer will be internally rated to verify that their ESG rating is ≥ 5.5/10 according to our proprietary methodology.
  - Investable watchlist
  - An additional pool of investable issuers

**FUNDAMENTAL ANALYSIS FILTER**
- Equity
  - Echiquier ARTY SRI Portfolio
  - ≈ 40 stocks
  - Corporate bonds
  - ≈ 70 issuers

**ECHIQUIER CONVEXITE SRI EUROPE**

**Convertible bonds component**
- Initial investment universe
  - European convertible bonds
- Norm and Sector based
  - ESG Rating ≥ 5.5/10*
  - 140 convertible bonds
    - WITH ESG rating
    - WITHOUT ESG rating
  - 10 convertible bonds
    - WITH ESG rating
    - WITHOUT ESG rating

**Options component**
- Initial investment universe
  - European options on underlyings held by LPDE
- Norm and Sector based
  - ESG Rating ≥ 5.5/10*
  - 1330 options
    - WITH ESG rating
    - WITHOUT ESG rating
  - 1550 options
    - WITH ESG rating
    - WITHOUT ESG rating

**ESG CONVICTION FILTERS**

**SELECTION**
- To be invested the issuer will be internally rated to verify that their ESG rating is ≥ 5.5/10 according to our proprietary methodology.
  - Investable watchlist
  - An additional pool of investable underlyings

**FUNDAMENTAL ANALYSIS FILTER**
- Convertible bonds component
  - Portefeuille Echiquier Convexité SRI Europe
  - ≈ 40 convertible bonds
- Options component
  - ≈ 10 options
4.2 How are climate change criteria taken into account in the portfolio construction?

In the portfolio construction, climate change criteria are taken into account in the environmental score. These issues are analysed for each company through their environmental policy and actions implemented to reduce their impacts on climate change. The Environmental rating accounts for approximately 20% of an Industrial issuer’s ESG rating and 15% of a Services issuer’s ESG rating. As described above, the ESG rating is a filter within the management process of all our actively managed funds that is applied more or less restrictively depending on the type of fund.

For SRI-labelled funds only ([POSITIVE IMPACT], [CLIMATE], [MAJOR], [AGENOR], [CREDIT], [ARTY] and [CONVEXITE]), the carbon footprint of issuers is now taken into account during portfolio construction to ensure that the fund’s carbon footprint per million euros of revenue is at all times better than that of its benchmark.

[POSITIVE IMPACT]: In the particular case of Echiquier Positive Impact Europe, climate change criteria are also taken into account during portfolio construction by using the Solutions Score to select only companies with a net positive contribution to the SDGs of at least 20% of their revenue, including the following two:
- SDG 7: Affordable and clean energy
- SDG 11: Sustainable cities and communities

[CLIMATE]: In the particular case of Echiquier Climate Impact Europe, climate change criteria are taken into account quite significantly through the Climate Maturity Score described in paragraph 4.1. Climate data (e.g. temperature, green share, physical risk) are aggregated at the portfolio level, integrated into the management process iteratively and reported on monthly.

In addition, as part of LFDE’s climate strategy, other criteria relating to climate change will gradually be added to the management of all our funds, starting with SRI-labelled funds.

4.3 How are accounted for issuers included in the funds which have not been subject to an ESG analysis (excluding funds)?

[POSITIVE IMPACT], [CLIMATE], [MAJOR] and [AGENOR]: For SRI-labelled equity funds, no issuer may be selected until it has been subjected to an ESG analysis. The number of issuers with an ESG rating is therefore 100% at all times.

[CREDIT], [ARTY] and [CONVEXITE]: For bond and Multi-asset SRI-labelled funds, a component of 5% of unrated issuers is allowed, to give the fund manager enough flexibility to participate in primary market issues. A daily post-trade check ensures that the 5% unrated securities limit has not been exceeded. The issuers concerned must be rated on ESG criteria within a maximum of three months. The Risk management team is responsible for monitoring this. In the event that the ESG rating set is lower than the minimum ESG rating authorized in the fund concerned, the manager will have - in the best interest of the holder - a period of three months maximum to divest.

[ESG INTEGRATION]: To strengthen our ESG Integration approach, in accordance with the requirements of AMF Doctrine No. 2020-03 on the use of non-financial criteria, at least 90% of the companies in the portfolio must have an ESG rating at all times. A daily post-trade check ensures that this segment does not exceed the 10% maximum.
4.4 Has the ESG evaluation and fund management process changed in the last 12 months?

Our ESG evaluation process is updated annually. This allows us to adapt to changes in companies' ESG practices and SRI market practices. Over the last few months, we have mainly modernised our ESG analysis tool to make it more educational and save time for analysts and reviewers (i.e. the RI Research team members), while maintaining the same level of analytical quality. We have also raised requirements for certain questions and strengthened the analysis of biodiversity and taxation issues. We have also formalised the collection of specific impact indicators for each company in our analysis grid and added a question that deals with the additionality of the company’s products and services.

Over the past few months, several changes have been made to the management processes of LFDE’s funds:

- **Exclusions**: All funds managed by La Financière de l’Echiquier now exclude companies subject to severe controversies according to MSCI ESG Research.
- **Exclusions**: Expanding the scope of the thermal coal exclusion to include all companies involved in thermal coal activities.
- **ESG rating**: Strengthening our approach and constraints regarding the integration of ESG criteria in the management of funds that are subject to ESG integration.

You will find more information about these changes in paragraph 2.2 of this Transparency Code.

In addition, the **SRI labelling of new funds** has led to a number of changes in their management process:

- **[ARTY]** and **[CONVEXITE]**: Echiquier ARTY SRI and Echiquier Convexite SRI funds underwent several changes to their management process in 2020 as a result of their SRI labelling. These changes included, for example, the strengthening of the exclusion policy (widening the scope of certain excluded sectors and adding new sectoral and normative exclusions), introducing a minimum ESG rating of 5.5/10, and the use of the ESG rating to adjust weightings. More information on these changes may be found in paragraph 4.1 which explains the management processes of these funds. These changes enabled these two funds to obtain the French State SRI label in December 2020.

- **[CLIMATE]**: Echiquier Climate Impact Europe was launched in December 2020 with the objective of financing the energy transition. Its management process was created to meet the requirements of the French State SRI label, which it obtained in December 2020. More information on this fund’s ESG approach can be found in paragraph 4.1.
4.5 Is a portion of the funds’ assets invested in solidarity-based organizations?

A mechanism for sharing management fees is in place for four of the funds that La Financière de l’Echiquier markets. For three of these funds, the beneficiary is the Primonial Group Foundation, sheltered by The Fondation de France, that supports NGO projects in the areas of education, social integration and employment, and healthcare.

La Financière de l’Echiquier collects annual management fees for each of these four funds. An amount is deducted from the total management fees collected by each fund and donated to the corresponding charitable organization. The amount of each fund’s donation depends on its assets under management and rules:

**[POSITIVE IMPACT]:** A portion of the fund’s management fees (up to €500K/year as of 2020) is refunded to the Primonial Group Foundation. In addition, the Board of Directors of Echiquier Impact SICAV may decide to make an exceptional annual donation to the Foundation, which will also be deducted from the fund’s management fees.

**[ESG INTEGRATION]:**
- **Echiquier Excelsior (Part A):** A portion of the management fees (up to €100K/year as of 2021) is refunded to the Primonial Group Foundation.
- **Echiquier Agressor (Action P):** A portion of the management fees (up to €20K/year as of 2021) is refunded to the Primonial Group Foundation.

The RI Research team is involved in the choice of projects selected by the Foundation via its permanent seat on the Foundation’s “Education” Committee. The funds collected from the 2020 management fees are made available to the Foundation under its 2021 budget and held in reserve for the following year if not used in full.

**[CLIMATE]:** From the management fees collected by the fund and which La Financière de l’Echiquier is entitled to keep, the board of directors of Echiquier Impact fund will decide annually on an amount to be directly allocated to one or more projects selected for their positive environmental and social impact. The board of directors will ensure that its decision is consistent with the fund’s management philosophy and its desire to finance a climate transition that is socially just.

4.6 Do funds lend or borrow securities?

No, La Financière de l’Echiquier does not lend or borrow securities.
4.7 Do the funds use derivatives?

For its SRI-labelled funds, LFDE uses derivatives for various purposes, while ensuring that their use is consistent with each fund’s ESG objective:

- **[POSITIVE IMPACT]** and **[CLIMATE]**: The prospectus of these funds does not provide for the possibility of using derivative instruments.

- **[MAJOR]** and **[AGENOR]**: Echiquier Major SRI Growth Europe, Echiquier Agenor SRI Mid Cap Europe and Echiquier Agenor Euro SRI Mid Cap do not use derivative instruments, even though these instruments are authorized by their prospectuses.

- **[MAJOR]**: Echiquier Alpha Major SRI uses derivatives (mainly futures) in its permanent hedging strategy to reduce portfolio volatility. These operations will be carried out within the limit of one time the assets of the fund.

- **[CREDIT]**: Echiquier Credit SRI Europe uses derivative instruments (mainly futures) for the sole purpose of hedging the portfolio’s interest rate risk. These operations will be carried out within the limit of one time the assets of the fund.

- **[ARTY]**: Echiquier ARTY SRI uses derivatives (mainly futures) to hedge the portfolio’s interest rate and currency risks. The Fund uses options, calls and puts to mitigate the portfolio’s equity risk and volatility. These operations will be carried out within the limit of one time the assets of the fund. It should be noted that the Fund’s positions in derivatives whose underlying asset is not an index will only be long positions on the underlying, i.e. the purchase of a call or the sale of a put.

- **[CONVEXITE]**: Echiquier Convexité SRI Europe uses derivatives (mainly futures) to hedge the portfolio’s interest rate and currency risks. The Fund may also use options to increase the portfolio’s diversification by gaining exposure to sectors or securities beyond the pool of available convertibles, and more cost-effective exposure to existing convertible securities that are expensive or offer low convexity. These options strategies are limited to the purchase of call options or the sale of put options. The fund’s investment in options will never exceed 5%. Options are only used on a temporary basis, with maturities of less than 1 year. If the fund exceptionally uses an option with a maturity of more than 1 year, the option will be sold before it matures.

**[ESG INTEGRATION]** For the funds subject to ESG Integration only, the use of derivatives is provided for in accordance with the following rules:

- **Equity funds**: The use of derivatives is authorized by the prospectuses, but the management team only occasionally uses them.

- **Bond funds**: The funds reserve the right to trade in forward financial instruments traded on regulated European and international markets. In this context, funds may take positions to
hedge the portfolio against interest rate risk and, if applicable, against currency risk. Funds may also gain exposure to financial futures for the purpose of managing interest rate risk. Exposure beyond 100% of net assets is possible for some portfolios on an occasional basis but will not exceed 110% of the fund’s net assets under any circumstance.

The derivatives authorized by the bond fund prospectuses are index futures, options on securities and indexes, currency options and futures and asset swaps.

Listed instruments are used in priority. These operations will be carried out within the limit of one time the assets of the fund. Financial instruments are entered into with intermediaries selected by the management company that have no power over the composition or management of the fund’s portfolio.

- **Multi-assets fund**: The investment team may use hedging derivatives, for example, to adjust exposure levels and actively manage duration. Exposure to currency risk will remain ancillary.

The instruments authorized by the prospectus are:

- On the regulated markets of index, equity and interest rate futures and options.
- In over-the-counter markets, exclusively currency options and forwards with counterparties whose rating is equivalent to or higher than A (Standard & Poor’s or equivalent).

Listed instruments are used in priority. These operations will be carried out within the limit of one time the assets of the fund. Funds are prohibited from carrying out any swap transactions. Derivatives transactions are entered into with intermediaries selected by the management company that have no power over the composition or management of the fund’s portfolio.

In conclusion and given the rare concrete use of derivatives within our funds, we consider that their impact on the SRI quality of the portfolios is negligible.

### 4.8 Do the UCITS funds invest in funds?

Funds may not invest more than 10% of their assets shares of other French and/or European funds, and in general investment funds.

When necessary, particular attention is paid to the choice of these funds for La Financière de l’Echiquier’s SRI-labelled funds, to ensure, in so far as possible, that they are consistent with LFDE’s SRI policy and comply with the minimum standards of the various SRI labels obtained. This possibility may serve two distinct objectives:

- **Liquidity objective**: Funds are mainly used to manage and invest cash, such as Echiquier Short Term Credit, which is consistent with our ESG integration approach. These funds are excluded from the calculation of ESG rating indicators and ESG performance metrics.

It should be noted that funds may also invest in commercial paper for the purpose of cash management. In this case, the underlying assets must comply with the minimum ESG rating and with the sectors and business practices that are specifically excluded by each fund. These instruments are included in the
calculation of ESG rating indicators, but not in the calculation of ESG performance indicators as they are short-term positions that will not impact the fund’s ESG performance, which is long-term.

- **Performance objective**: Less commonly, investment in funds may serve to enhance financial performance.
  - In this case, the funds concerned are excluded from the calculation of the ESG rating and performance indicators, up to the 10% maximum that is allowed for non-ESG-rated issuers in the SRI-labelled funds, in accordance with the French State SRI label specifications.
  - Beyond this 10% limit, the ESG ratings and performance indicators of the issuers in each invested fund’s portfolio must be transparent and integrated into the portfolio’s overall ESG performance.
5. ESG CONTROLS

5.1. What are the internal and external monitoring procedures in place to ensure that the portfolio complies with the ESG rules set for the management of funds?

First of all, and in addition to internal control procedures, all decisions on political and/or regulatory issues in connection with responsible investment are taken in consultation with La Financière de l’Echiquier’s compliance and internal control team and in accordance with the UN Principles for Responsible Investment (PRI).

La Financière de l’Echiquier has implemented additional controls to ensure that portfolios are managed in accordance with their ESG rules.

Internal control features:

- **First-level controls:**
  - **RI Research team:** The RI Research team is mainly responsible for ensuring that fund managers comply with the ESG analysis methodology and ESG management rules. Its role is to assist the fund management team members on the respect of these constraints. In addition, the RI Research team raises awareness and rigor of fund managers in assigning ESG ratings to the issuers in portfolios to avoid any non-compliance of LFDE ESG commitment. The RI Research team provides the investment team with various tools to help them monitor and control the ESG performance of their ex-ante portfolios (including the portfolio’s weighted average ESG rating and the commitment ESG performance indicators described in section 6.2).
  - **Pre-trade controls:** Pre-trade controls are performed by our Order Management System software, which fund managers use to place orders to buy or sell the securities in fund portfolios:
    - **Exclusions:** For all funds managed by La Financière de l’Echiquier, a pre-trade control is carried out to ensure that portfolios comply with the sectoral and normative exclusion rules set for each fund. MSCI ESG Research provides us with the list of issuers to be excluded, except for thermal coal issuers, the list of which is provided by the German NGO Urgewald (see the Global Coal Exit List). These lists are integrated into our Order Management System (OMS), which automatically blocks the purchase of any security on these lists. The Internal Control team updates MSCI ESG Research’s list quarter and Urgewald’s list annually. If a security in the portfolio becomes non-investable under the applicable sector and normative exclusion rules, a roadmap for investment will be agreed with the fund manager, within a reasonable time and in the best interest of investors. Under no circumstances may the portfolio increase its position in this security.
    - **ESG ratings:** For SRI-labelled equity funds, the OMS software automatically blocks any purchase of securities that do not have the minimum required ESG rating or have no ESG rating at all.
This blocking is made possible by the systematic entry of all ESG ratings in our database, under the supervision of the RI Research team. For SRI-labelled fixed-income funds and ESG Integration funds, trades are not blocked but an alert is triggered. The alert warns the fund manager that he or she is attempting to place an order on a security that does not have the minimum required ESG rating or has no ESG rating at all. This difference between pre-trade blocks and alerts is attributable to technical issues that have not been resolved at this stage.

- **Post-trade controls:** They are performed by using our Portfolio Management Software (PMS) which carries out, daily, the monitoring of portfolios. The PMS helps to identify any breaches in the previous controls. If non-compliance is detected, the PMS immediately alerts the Middle Office and Risk teams. After analyzing the alert and if the non-compliance is confirmed, an alert is sent directly to the relevant fund managers with copy to the relevant Internal Control department. Should the fund managers not take corrective action, an escalation process will be implemented. The CIO will be informed of the situation as well as, if necessary, the executive committee.

  - **ESG ratings:** ESG ratings are checked daily to ensure they do not fall below the minimum ratings set for the fund portfolios. Furthermore, the daily checks allow us to highlight the issuers in portfolios whose ESG ratings do not respect the minimum rating required following an update. In the case of issuers that have been downgraded following an update of ESG rating, the fund manager can no longer strengthen the position of security in question and has a period from 6 to 12 months maximum to divest the entire position, in the best interest of the holders.

For Echiquier Credit SRI Europe, Echiquier ARTY SRI and Echiquier Convexité SRI Europe, the portfolio may include up to 5% unrated issuers, to give the fund manager the flexibility necessary to participate in primary market issues. A daily post-trade check ensures that the 5% unrated securities limit has not been exceeded. Primary market issuers must be ESG rated within three months. The Risk department is responsible for monitoring this. If the ESG rating is lower than the fund’s minimum ESG rating requirement, the fund manager will have three months to divest the security, in the best interest of investors.

- **ESG Integration** An identical control mechanism is implemented for ESG Integration funds, for which up to 10% unrated issuers is allowed.

- **Country:** The same control is in place for all of the funds that LFDE actively manages, to verify that no investment is made in companies domiciled in the countries listed below, for tax reasons:
  - The French Gouverment’s List of Uncooperative States and Territories (ETNC)
  - The European Union list of non-cooperative countries and territories in respect of taxes

A quarterly audit is carried out by the Risk team to ensure that these lists are properly updated in our internal system.
Second-level controls: The objective of LFDE’s compliance and internal control team is to ensure the effectiveness of all controls in place and described herein, and that SRI-labelled portfolios comply with La Financière de L’Echiquier’s ESG rules. The funds will be subject to a semi-annual audit on the part of the department in charge internal control. These checks will focus particularly on the existence of an ESG rating and compliance with the minimum ESG rating threshold for all issuers invested in each fund.

For SRI-labelled funds, when monitoring the commitment ESG performance indicators (see section 6.2) of the SRI label specifications, the team will conduct random controls at least once a year. This will ensure that, outside the half-yearly reporting deadlines, the funds’ performance in respect of the selected ESG performance indicators exceeds that of their benchmarks. In case of non-compliance, the fund management team has three months to make the necessary changes to its portfolio, in the best interest of investors.

ESG INTEGRATION For ESG integration funds, a similar control mechanism will be used to ensure that each fund’s weighted average ESG rating is well above that of its investment universe, in compliance with AMF Doctrine No. 2020-03.

External control/audit measures:

Funds that bear the French State SRI label are audited by an external auditor. This is, for us, the independent audit firm EY. The SRI label is obtained for a period of three years. These audits are conducted annually on the basis of documents and every three years onsite. Their purpose is to verify that our funds comply with the practices and rules set out in the Transparency Code and that our reporting obligations have been met. Other similar audits are also carried out on funds that have obtained the Belgian "Towards Sustainability" and the German "FNG" labels. These audits are only conducted on these funds (see paragraph 1).

In June 2018, all La Financière de l’Echiquier’s responsible investment activities (internal processes, reporting and external communications) were audited by KPMG, subsequent to the outsourcing of the management company’s periodic control tasks. These controls revealed no significant anomalies, and the areas of improvement identified were addressed by the RI Research team.

In July 2019, as part of its obligation to monitor the management company, BNP Paribas Securities Services (the main custodian of our funds) conducted a thematic assessment on SRI management. Its objective was to ensure that our commitments on responsible investment matched our internal organization. At the end, all the items analysed were satisfactory and no recommendations were made.
6. ESG PERFORMANCE METRICS AND REPORTING

6.1. How is the ESG quality of funds evaluated?

The ESG quality of our funds is assessed on the basis of the ESG ratings of the issuers in the portfolios, which are determined using a proprietary analytical methodology that is described in sections 3.3 to 3.5.

[ESG INTEGRATION] For ESG integration funds, the ESG quality of the portfolios is reported monthly in each fund’s monthly financial report. The ESG performance of funds is thus assessed using the following criteria:

- The percentage of securities in the portfolio that have been subjected to ESG analysis
- The fund’s weighted average ESG ratings relative to its investment universe.

For SRI-labelled funds, the ESG quality of the portfolios is reported monthly in the fund’s monthly financial report, which includes two pages of ESG indicators. The ESG performance of funds is thus assessed using the following criteria:

- Percentage of stocks in the portfolio covered by ESG analysis
- Selectivity rate of the fund
- The fund’s weighted average ESG ratings relative to its initial investment universe
- Top 5 ESG ratings in the portfolio (with details of E, S and G scores)
- Comparison of the fund’s ESG Rating distribution with that of its initial investment universe
- Comparing the fund's average Environmental, Social and Governance scores with those of its initial investment universe

All these criteria are updated monthly or at least quarterly. The frequency with which each indicator is updated is indicated in each fund’s monthly report.

Since 2020, an annual SRI report is also published for each SRI-labelled fund, to describe the means implemented to integrate ESG criteria into the fund’s management process and to present the ESG performance of our investments over the past year.
6.2. What ESG performance indicators do funds use?

All of the ESG performance indicators indicated below are reported in each fund’s monthly financial report. They are updated every six months. These indicators may also appear in other reporting media (for more information see paragraph 6.3).

**[ESG INTEGRATION]** For ESG Integration funds, an environmental performance indicator is used:

- **Environmental indicator - Carbon Footprint**: We report on the carbon footprint of our funds (relative to their benchmark) in tons of CO2 equivalent per million euros of revenue. The following calculation method is used:

\[
\text{Portfolio carbon footprint (M euros Revenues)} = \frac{\sum_{i=1}^{n} \frac{\text{Investment}_i \times \text{Market cap}_i}{\text{Market cap}_i} \times \text{Absolute emissions (teCO2)_i}}{\sum_{i=1}^{n} \frac{\text{Investment}_i \times \text{Market cap}_i}{\text{Market cap}_i} \times \text{revenues (in M)_i}}
\]

**[POSITIVE IMPACT], [CLIMATE], [MAJOR], [AGENOR], [CREDIT], [ARTY] and [CONVEXITE]** In accordance with the modification of the French State SRI label specifications on 23/10/2020, SRI-labelled funds must obtain a better result on at least two ESG performance indicators compared to their benchmark or initial investment universe. Fund management companies are required to choose an initial indicator before the end of 2020 and a second indicator before the end of 2021. For the initial indicator, the portfolio coverage rate must be at least 90%, and at least 70% for the second. These two indicators are referred to as “commitment ESG performance indicators”.

- **Environmental indicator - Carbon Footprints**: We report on the carbon footprint of our funds (relative to their benchmark) using two distinct calculation methodologies:

  o In tons of CO2 equivalent per million euros invested:

\[
\text{Portfolio carbon footprint (M euros Revenues)} = \frac{\sum_{i=1}^{n} \frac{\text{Investment}_i \times \text{Market cap}_i}{\text{Market cap}_i} \times \text{Absolute emissions (teCO2)_i}}{\sum_{i=1}^{n} \frac{\text{Investment}_i \times \text{Market cap}_i}{\text{Market cap}_i} \times \text{revenues (in M)_i}}
\]

  o In tons of CO2 equivalent per million euros of revenue:

\[
\text{Portfolio carbon footprint (M euros Revenues)} = \frac{\sum_{i=1}^{n} \frac{\text{Investment}_i \times \text{Market cap}_i}{\text{Market cap}_i} \times \text{Absolute emissions (teCO2)_i}}{\sum_{i=1}^{n} \frac{\text{Investment}_i \times \text{Market cap}_i}{\text{Market cap}_i} \times \text{revenues (in M)_i}}
\]

We have chosen the **carbon footprint in millions of euros of revenue as the initial commitment carbon footprint performance indicator for our nine SRI-labelled funds.** This indicator enables us to measure the climate impact of our portfolios. This choice is consistent with La Financière de l’Echiquier’s Climate Strategy. In addition to the half-yearly reporting deadlines, this indicator will be monitored throughout the year by the investment team, which is responsible for seeing to it that its fund outperforms this indicator, using the various tools provided by the RI Research team.

- **Governance indicator – Feminisation of boards**: We analyse the feminisation rate of boards of companies present within our portfolios. This enables us to determine whether the companies in our fund portfolios have more female board members than the companies in the fund’s
investment universe. These figures obviously reflect the differences in legislation between countries, but also the level of voluntarism and proactivity of companies on the subject. The following calculation method is used:

\[
\frac{\text{Number of women on the Board}}{\text{Total number of members on the Board}}
\]

- **Human Rights indicator - United Nations Global Compact**: We analyse the share of issuers in our portfolios that are signatories of the United Nations Global Compact. Signatory companies are committed to adopting a socially responsible attitude by respecting and promoting principles relating to human rights, international labor standards and the fight against corruption. In addition, they are committed to a process of continuous improvement of their CSR policies and undertake annually to communicate publicly on their progress. The following calculation method is used:

\[
\frac{\text{Sum of weights of portfolio companies that have signed the UN Global Compact}}{\text{Total sum of companies in portfolio}}
\]

- **Social indicator - Headcount growth**: We analyse the headcount growth of the companies in our portfolios. This indicator serves to measure the job creation dynamics of each fund’s portfolio companies in comparison with that of its investment universe. These figures reflect both net job creations and changes in the scope of consolidation of companies linked, for example, to acquisitions or disposals. We are aware of the limit of this indicator, which has not yet been adjusted for changes in the scope of consolidation.

The following calculation method is used:

\[
\frac{\text{Number of employees year } Y}{\text{Number of employees year } Y-1} - 1
\]

By the end of 2021, we will select a second ESG commitment performance indicator for all of our SRI-labelled funds, which will probably be a governance indicator (replacing the one described above) in keeping with the historical bias of our ESG analysis methodology toward governance.

For more information on the various controls conducted on the commitment ESG performance indicators, see paragraph 5.1 of this Transparency Code.

Furthermore, our impact funds use other ESG performance indicators in line with their strategy:

- **UN Sustainable Development Goals Indicator**: We use this indicator to measure the contribution and commitment of our portfolio companies to the UN Sustainable Development Goals. This indicator covers social, environmental and human rights aspects. Several indicators serve to assess this impact:
  - Average “Solutions”, “Initiatives” and “SDG” scores of the portfolio
  - Average turnover of portfolio companies contributing to one or more SDGs
  - Number of companies contributing to each of the nine identified SDGs

Since 2019, we have also published an impact report on Echiquier Positive Impact Europe fund. This report, which is closely linked to the UN Sustainable Development Goals, features many indicators that highlight the positive impact of investment in the fund and of the portfolio companies.
For Echiquier Climate Impact Europe, we use the following climate performance criteria:

- Portfolio’s weighted average Climate Maturity score relative to its benchmark
- Portfolio’s weighted bottom-up and top-down temperatures relative to its benchmark
- Green share of the portfolio’s weighted average relative to its benchmark
- Portfolio’s weighted average physical risk score relative to its benchmark
- Top 5 and Bottom 5 Climate Maturity scores of the portfolio companies
- Top 5 and Bottom 5 “temperatures” of companies in portfolio

La Financière de l’Echiquier’s methodology for all of the ESG performance indicators indicated above:

- Each fund’s performance is compared to that of its benchmark.
- The calculation of performance is weighted, for both the fund’s portfolio and its benchmark.
- The weight of each issuer in the portfolio is reweighted, and investments in mutual funds and cash (including commercial paper) are excluded from the calculation of impact indicators, in accordance with SRI label specifications.

Furthermore, in compliance with Article 173 (§ VI) of the French Energy Transition for Green Growth Law, all funds with over 500 million euros of assets under management publish a dedicated Climate report. This report provides numerous indicators to assess the impact of the portfolios concerned on climate change.

6.3. What media are used to inform investors about the SRI management of funds?

At the management company level, the following media are used to inform investors about the SRI management of funds:

- AFG-FIR Transparency Code
- SFDR Policy
- Climate Strategy
- Coal Policy
- UN PRI Transparency Report
- UN PRI Evaluation Report
- Voting and engagement policy
- Voting and engagement report
- “LFDE SRI & Performance” Research Notebooks
- SRI quarterly comments in monthly letter

These documents are available on our website in the "Responsible Investment" section, on the "To find out more" page, under the "LFDE Documents" heading. The quarterly SRI newsletters are available on the "News" page under the "SRI News" heading.
For SRI-labelled funds, the media are also provided:

- Monthly SRI ‘integrated with the funds’ monthly financial report
- Annual SRI reporting
- Full inventory of portfolios (every 3 months with a 3-month lag)
- Inventory of votes at portfolio AGMs
- The “Article 173” report (only for funds with AuM above €500 million at 31/12/2020).
- The Impact report (only for [POSITIVE IMPACT] and soon for [CLIMATE]).

For the other funds subject only to ESG Integration, the following media are provided:

- Monthly report with quantitative ESG & carbon data
- The “Article 173” report (only for funds with AuM above €500 million at 31/12/2020).

All documents that are specific to funds are available on the dedicated page on the La Financière de l’Echiquier website, which is accessible from the "Funds" page, under the "Documents - Responsible Investment" heading.

In addition to this, several times a year we organise events for our clients to raise their awareness of SRI and inform them about changes in our approach. We are particularly active in disseminating information and training in the area of Responsible Finance via our “LFDE SRI School” training program launched in 2019 and our pedagogical podcast on responsible investment launched in the fall of 2020.

6.4. Does the management company publish the results of its voting and engagement policy?

La Financière de l’Echiquier publishes the results of its voting and engagement policy annually in a dedicated report. This report, which is intended to be educational illustrative, showcases how we engage with our portfolio companies throughout our investment life cycle. It also allows us to monitor the progress of companies in relation to the areas of improvement we have shared with them. In addition to this, since the end of 2020, for each of our SRI-labelled funds we provide a comprehensive statement of our votes on each resolution.

This document is available on La Financière de l’Echiquier’s website, in the "Responsible Investment" section, on the “To find out more” page, under the "LFDE Documents – Shareholder Dialogue" heading and in a dedicated section on the page of each SRI-labelled fund.