Transparency Code
AFG-FIR

February 2020
PREAMBULE

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 Credit SRI Europe
- Echiquier Major SRI Growth Europe
- Echiquier Positive Impact Europe

In addition, all other UCITS funds actively managed by La Financière de l’Echiquier are subject to an ESG Integration approach.

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

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 "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 and we believe that we are as transparent as possible given the regulatory and competitive environment 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 UCITS funds actively managed by La Financière de l’Echiquier comply, according to their profile, with all the recommendations of this Code.

The funds managed according to quantitative and macro-economic strategies, Africa theme, as well as funds of funds are excluded from the scope. As at 31/12/2019, they account for about 10% of our assets under management.

Data as at 31/12/2019
Last update: February 2020
By: Coline PAVOT - La Financière de L’Echiquier
SUMMARY

1. LIST OF UCITS FUNDS COVERED BY THIS TRANSPARENCY CODE
2. GENERAL INFORMATION ABOUT THE ASSET MANAGEMENT COMPANY
3. GENERAL INFORMATION ON THE UCITS FUNDS PRESENTED IN THIS TRANSPARENCY CODE
4. UCITS FUND MANAGEMENT PROCESS
5. ESG CONTROLS
6. IMPACT METRICS AND ESG REPORTING
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 fund management - with Impact Investment in mind - that will be detailed throughout this report.

### IMPACT INVESTMENT

<table>
<thead>
<tr>
<th>Dominant and complementary strategies</th>
<th>Main asset class</th>
<th>AuM at 31/12/19</th>
<th>Labels</th>
</tr>
</thead>
<tbody>
<tr>
<td>☑️ SRI thematic</td>
<td>☑️ All EU market capitalizations</td>
<td>154 M€</td>
<td>☑️ SRI Label</td>
</tr>
<tr>
<td>☑️ Best in universe</td>
<td></td>
<td></td>
<td>☑️ FNG Label ***</td>
</tr>
<tr>
<td>☑️ Exclusion</td>
<td></td>
<td></td>
<td>☑️ Towards Sustainability Label</td>
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<table>
<thead>
<tr>
<th>UCITS AND DEDICATED &quot;IMPACT&quot; MANDATES</th>
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</thead>
<tbody>
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<td>☑️ SRI thematic</td>
<td>☑️ All EU market capitalizations</td>
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### SOCIALLY RESPONSIBLE INVESTMENT

<table>
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<th>Labels</th>
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</thead>
<tbody>
<tr>
<td>☑️ Best in universe</td>
<td>☑️ Euro zone small and mid-cap equities</td>
<td>171 M€</td>
<td>☑️ SRI Label</td>
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<tr>
<td>☑️ Best effort</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>☑️ Exclusion</td>
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<table>
<thead>
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</thead>
<tbody>
<tr>
<td>☑️ Best in universe</td>
<td>☑️ EU small and mid-cap equities</td>
<td>1 349 M€</td>
</tr>
<tr>
<td>☑️ Best effort</td>
<td></td>
<td></td>
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<tr>
<td>☑️ Exclusion</td>
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<table>
<thead>
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<td>☑️ EU large cap equities</td>
<td>71 M€</td>
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<tr>
<td>☑️ Best effort</td>
<td></td>
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<td>206 M€</td>
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<td></td>
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<tr>
<td>☑️ Exclusion</td>
<td></td>
<td></td>
</tr>
<tr>
<td>ECHIQUIER MAJOR SRI GROWTH EUROPE</td>
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<tr>
<td>-------------------------------------</td>
<td></td>
<td></td>
</tr>
<tr>
<td>☑ Best in universe</td>
<td></td>
<td></td>
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<tr>
<td>☑ Best effort</td>
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<td></td>
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<tr>
<td>☑ Exclusion</td>
<td></td>
<td></td>
</tr>
<tr>
<td>☑ EU large cap equities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>☑ SRI Label</td>
<td></td>
<td></td>
</tr>
<tr>
<td>☑ FNG Label ***</td>
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<td>☑ Towards Sustainability Label</td>
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<td>690 M€</td>
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<table>
<thead>
<tr>
<th>UCITS AND DEDICATED &quot;SRI&quot; MANDATES (3)</th>
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<tr>
<td>☑ Best in universe</td>
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<td>☑ Best effort</td>
</tr>
<tr>
<td>☑ Exclusion</td>
</tr>
<tr>
<td>☑ Euro zone small and mid-cap equities</td>
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<tr>
<td>☑ EU small and mid-cap equities</td>
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<td>476 M€</td>
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### ESG INTEGRATION

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<table>
<thead>
<tr>
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<tr>
<td>☑ ESG integration</td>
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<td>☑ Exclusion</td>
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<tr>
<td>☑ Bonds and other debt securities</td>
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<tr>
<td>denominated in euro</td>
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<td>208 M€</td>
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<table>
<thead>
<tr>
<th>ECHIQUIER ALTAROCCA CONVERTIBLES</th>
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<td>☑ ESG integration</td>
</tr>
<tr>
<td>☑ Exclusion</td>
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<tr>
<td>☑ Bonds and other debt securities</td>
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<tr>
<td>denominated in euro</td>
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<td>78 M€</td>
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<table>
<thead>
<tr>
<th>ECHIQUIER ALTAROCCA HYBRID BONDS</th>
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<td>☑ ESG integration</td>
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<tr>
<td>☑ Exclusion</td>
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<tr>
<td>☑ Bonds and other debt securities</td>
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<tr>
<td>denominated in euro</td>
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<td>62 M€</td>
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<table>
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<td>☑ Exclusion</td>
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<td>☑ International equities</td>
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<td>70 M€</td>
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<table>
<thead>
<tr>
<th>ECHIQUIER ARTIFICIAL INTELLIGENCE</th>
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<td>☑ Exclusion</td>
</tr>
<tr>
<td>☑ EU equities</td>
</tr>
<tr>
<td>☑ Bonds and other international</td>
</tr>
<tr>
<td>debt securities</td>
</tr>
<tr>
<td>988 M€</td>
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<table>
<thead>
<tr>
<th>ECHIQUIER ARTY</th>
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<tbody>
<tr>
<td>☑ ESG integration</td>
</tr>
<tr>
<td>☑ Exclusion</td>
</tr>
<tr>
<td>☑ Bonds and other international</td>
</tr>
<tr>
<td>debt securities</td>
</tr>
<tr>
<td>171 M€</td>
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<table>
<thead>
<tr>
<th>ECHIQUIER CONVEXITE EUROPE</th>
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<tbody>
<tr>
<td>☑ ESG integration</td>
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<tr>
<td>☑ Exclusion</td>
</tr>
<tr>
<td>☑ Bonds and other international</td>
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<tr>
<td>debt securities</td>
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<tr>
<td>495 M€</td>
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<table>
<thead>
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<th>ECHIQUIER ENTREPRENEURS</th>
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<tr>
<td>☑ ESG integration</td>
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<td>☑ Exclusion</td>
</tr>
<tr>
<td>☑ EU small cap equities</td>
</tr>
<tr>
<td>55 M€</td>
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<table>
<thead>
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<th>ECHIQUIER EXCELSIOR</th>
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<tbody>
<tr>
<td>☑ ESG integration</td>
</tr>
<tr>
<td>☑ Exclusion</td>
</tr>
<tr>
<td>☑ EU small cap equities</td>
</tr>
<tr>
<td>2 M€</td>
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</table>

<table>
<thead>
<tr>
<th>ECHIQUIER HEALTH</th>
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</thead>
<tbody>
<tr>
<td>☑ ESG integration</td>
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<tr>
<td>☑ Exclusion</td>
</tr>
<tr>
<td>☑ International equities</td>
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<td>7 M€</td>
</tr>
<tr>
<td>Fund Name</td>
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<tr>
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<td>ECHIQUIER ROBOTICS</td>
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<td>ECHIQUIER SHORT TERM CREDIT</td>
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<td>ECHIQUIER USA</td>
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<td>ECHIQUIER VALUE EURO</td>
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<tr>
<td>ECHIQUIER WORLD EQUITY GROWTH</td>
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<tr>
<td>ECHIQUIER WORLD NEXT LEADERS</td>
</tr>
<tr>
<td>UCITS AND DEDICATED « ESG INTEGRATION » MANDATES (13)</td>
</tr>
</tbody>
</table>
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 over more than a decade.

<table>
<thead>
<tr>
<th>2019 NEWS</th>
</tr>
</thead>
<tbody>
<tr>
<td>French government SRI Label obtained for four additional funds:</td>
</tr>
<tr>
<td>- Echiquier Alpha SRI</td>
</tr>
<tr>
<td>- Echiquier Agence SRI Mid Cap Europe</td>
</tr>
<tr>
<td>- Echiquier Agent SRI Mid Cap</td>
</tr>
<tr>
<td>- Echiquier Credit SRI Europe</td>
</tr>
<tr>
<td>German &quot;PNG ***&quot; and Belgian &quot;Towards Sustainability&quot; labels obtained for:</td>
</tr>
<tr>
<td>- Echiquier Major SRI Growth Europe</td>
</tr>
<tr>
<td>- Echiquier Positive Impact Europe</td>
</tr>
<tr>
<td>Launch of SRI training programme: SRI School by LFDE</td>
</tr>
<tr>
<td>Several major publications:</td>
</tr>
<tr>
<td>- First Impact Report for Echiquier Positive Impact Europe</td>
</tr>
<tr>
<td>- &quot;SRI and Performance by LFDE&quot; report</td>
</tr>
<tr>
<td>Support given to the Access to Medicine Foundation</td>
</tr>
<tr>
<td>- Support for various collective initiatives for shareholder engagement: the fight against deforestation in the Amazon, the fight against climate change (The Investor Agenda), access to medicines, etc.</td>
</tr>
<tr>
<td>Membership of the French Forum for Responsible Investment</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>NEWS AND OUTLOOK</th>
</tr>
</thead>
<tbody>
<tr>
<td>2020 NEWS AND OUTLOOK</td>
</tr>
<tr>
<td>- Creation of new SRI products under review</td>
</tr>
<tr>
<td>- SRI School by LFDE tour in France</td>
</tr>
<tr>
<td>- Development of a SRI fund analysis methodology for fund selection</td>
</tr>
<tr>
<td>- Participation in the Climate Action 100+ collaborative engagement campaign</td>
</tr>
<tr>
<td>- GIIN (Global Impact Investing Network) membership</td>
</tr>
</tbody>
</table>
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-labeled 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:
  - **Exclusions**: Several sectors are excluded from all funds: tobacco production, thermal coal production, controversial weapons and the recreational cannabis sector. Attention is also paid to companies guilty of proven violations of one or more of the ten principles of the United Nations Global Compact.
  - **ESG analysis**: ESG rating objective of 100% of the stocks in the portfolio (minimum 90%), with attention paid internally to corporate governance and the support of MSCI ESG Research on environmental and social issues.
  - **Controversy**: Attention is paid to the existence of ESG controversies. An ethics committee meets to rule on 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 an impact on the selection of portfolio companies. 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. ESG analysis of issuers is systematic and prior to investment. A minimum ESG rating is required to integrate SRI funds.
  - **Controversy**: 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.

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**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. Through 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, which today exclusively concerns Echiquier Positive Impact Europe, are as follows:

- **Exclusions**: The exclusion policy of Echiquier Positive Impact Europe is more demanding than that applied in 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). Any investment in the fund is subject to a minimum ESG rating and a minimum Impact Score based on the UN Sustainable Development Goals (SDGs).

- **Controversy**: 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. At the end, 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, we also publish the SICAV’s impact report annually, which is available online on LFDE’s website.

Each of these aspects will be developed with more details 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 into the framework of 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: Non-formalised responsible investor approach but application of "common sense principles": importance attached to corporate governance and active voting approach at general meetings.
- 2007: Creation of our proprietary ESG analysis methodology.
- 2011: Echiquier Major SRI Growth Europe (LFDE’s first SRI labeled fund) was awarded the Novethic SRI label.
- 2013: Formalisation of our engagement approach with companies through the definition 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 funds (6 funds holding the French State SRI label) and the two historical SRI funds obtaining the German label "FNG" (with three stars) and the Belgian "Towards Sustainability" label.

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 SRI team takes the lead in this regard, devoting time to the sales and fund management teams, who are at the heart of this process. Since the end of 2017, the SRI team has been working hard to train these two teams on the theme of responsible investment for the first and on ESG analysis for the second. In 2018, we also created a network of SRI ambassadors within La Financière de l’Echiquier. Their role is to become the SRI referent within their team, to provide information from the field to the SRI team and to be critical and constructive of the team’s work.

- **External formalisation**: In our opinion, formalizing our approach externally has several objectives:
  - **Market Visibility**: This involves participating in local events and initiatives to promote our expertise and responsible investment as a whole. This point is further developed in paragraph 2.7. The publication of studies such as the one on the links between SRI and financial performance published in 2019 is part of this.
- **Raising customer awareness**: To make our customers adhere to our responsible investment approach, it is essential to inform them and raise their awareness on this subject. The work of the sales representatives, with the support of the SRI team, is essential here. In addition, the SRI events we organize throughout the year have an educational purpose. La Financière de l'Echiquier's SRI team is particularly active in training its clients in SRI. As such, in autumn 2019, it launched "The SRI School by LFDE", a training program for its IFAs partners.

- **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 complete tool for formalizing our approach. All the documents on this subject are available on our website, in the section " Responsible Investment", on the page "To find out more", under the heading "LFDE Documents – General approach" (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 paragraph 6.3.

2.4. How is the management company concerned with ESG risks/opportunities, including those linked to climate change?

Managing ESG risks and opportunities (including those linked to climate change) is central to La Financière de l'Echiquier's responsible investment approach. These notions are at the heart of the construction of our ESG rating:

- **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 to encourages them 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.

These risks and opportunities are addressed in several ways:

- Within the ESG rating and in particular the environmental rating for risks and opportunities related to climate change. These issues are analyzed 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. For SRI-labeled funds only, this ESG rating is a restrictive filter within the management process.
Within the "Impact Score", in the case of Echiquier Positive Impact Europe, criteria relating to climate change are taken into account in the positive selection of companies, through the "Solutions Score" of issuers contributing for minimum 20% of their turnover from the UN Sustainable Development Goals (SDGs) including the following two:
- SDG 7: Affordable and clean energy
- SDG 11: Sustainable cities and communities

Through the carbon footprint analysis of the portfolios carried out under Article 173 (§ VI) of the French Energy Transition for Green Growth Law. However, note that the selection of issuers in the portfolio is not made at this stage according to their carbon footprint. However, this information is useful to inform and raise managers’ awareness of the implications of their investment choices in terms of carbon footprint.

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 fund management team as of 31/12/2019 - except for the four members of the asset allocation team not concerned with, at this stage, by the ESG integration - are involved in the responsible investment activity of La Financière de l’Echiquier. Among them, the SRI team (see paragraph 2.6) is in charge of supporting each of the teams in this approach, ensuring the qualitative monitoring of their ESG research work and carrying out quality controls on the analyses performed. Each member of the SRI team is in charge of a fund management team. No ESG analysis and ESG score is published in our database without the validation of the SRI team.

To carry out this approach and to enable everyone to take ownership of the topic, each member of La Financière de l’Echiquier’s fund management team received training dedicated to ESG analysis to help them identify ESG risks and opportunities in their investment cases. In addition to these missions, the SRI team is also in charge of producing ESG analyzes for the two historical SRI funds, of updating the ESG analysis methodology and of implementing and coordinating a number of related projects (voting at the AGMs, shareholder engagement, reporting, development of new products ...).

Sharing ESG research among the fund management team is a central feature of our ESG Integration approach. This takes place on a regular basis via a weekly update, e-mail communication of all meeting reports and the associated ESG ratings as well as an archiving of 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 research team. In 2019, this database was upgraded, and SRI functionalities enhanced, giving greater visibility to all ESG data available to the fund management team.

Beyond the fund management team, the subject of responsible investment is highly integrated within the company and all the teams are involved in the development and continuous improvement of our approach, especially the sales teams. To this end, almost all LFDE employees have received training on the subject and training sessions are organized on a regular basis.
2.6. How many SRI analysts and how many SRI fund managers do the management company employ?

La Financière de l’Echiquier’s team in charge of SRI is composed of four people:

1. An SRI manager dedicated to the management of several funds as well as the financial and non-financial analysis of companies.
2. A head of ESG research and two SRI analysts dedicated to ESG analysis of companies and supporting the management team on ESG Integration. One of them is both a financial and a non-financial analyst.

In addition to these four people, seven fund managers and two analysts work on SRI funds and carry out, with the support of the SRI team, extra-financial analysis of the companies in their portfolios.

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

In the area of responsible investment, LFDE is involved in the following initiatives:

- **Generalist Initiatives:**
  - Principles for Responsible Investment (PRI) - United Nations (2008)
    - Participation in 2020 in the "European Taxonomy" working group
    - Participation in 2019 in collaborative environmental engagement campaigns “The Investor Agenda” and on the Amazon forest fires and deforestation thematics.
    - Participation in 2020 in the "Climate Action 100+" collaborative environmental engagement campaign
  - AFG - Responsible Investment Technical Committee (2013)
    - Participation in 2019/2020 in the "SDG" working group
  - SIFs - Sustainable Investment Forum
    - Forum per la Finanza Sostenibile - Italy (2017)
    - Forum for Responsible Investment - France (2019)
      - Member since 2020 of the "General Public" Commission
      - Participation in 2019 in the "SRI Label" working group
      - Participation in 2020 in the three "Impact" working groups: intentionality, additionality and impact measurement
  - GIIN - Global Impact Investing Network (2020)

- **Governance Initiatives:**
  - LeaderXXchange (2017)
    - Member since 2017 of the working group "Climate Emergency: Directors and Investors, the new dialogue for action"
- **Environmental and Climate Initiatives:**
  - Carbon Disclosure Project (CDP) (2013)

- **Social Initiatives:**
  - World No Tobacco Day - World Health Organization (2017)
    - Participation in 2019 in the collaborative engagement campaign “Access to Medicine Index”
  - United Nations Global Compact & UN Women
    - Participation in 2019 in the collaborative social engagement campaign "Women's Empowerment Principles"

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 during 2019. 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.

The total SRI assets under management of LFDE at 31/12/2019 amounted to **€ 3,143M**. The strong rise in assets compared to the previous year is linked to the labelling of 4 new funds.

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

As of 31/12/2019, SRI assets represented about **33%** of La Financière de l’Echiquier’s total assets under management.
2.10. What SRI-labeled funds open to the public are managed by the management company?

La Financière de l’Echiquier manages six SRI-labeled funds that are open to the public, all holders of the French State’s SRI label:

**Fund Name:** Echiquier Agenor SRI Mid Cap Europe  
**AuM at 31/12/2019:** 1,349 million euros  
**Inception date:** 27/02/2004  
**Currency:** Euros (€)  
**SRI Strategies:** Best-in-Universe | Best Efforts | Exclusion  
**Benchmark:** MSCI Europe Small Cap Net Return  
**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-agenor-sri-mid-cap-europe-i/](https://www.lfde.com/en/our-funds/echiquier-agenor-sri-mid-cap-europe-i/)

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. The Echiquier Agenor Mid Cap Europe sub-fund of the Luxembourg SICAV is also an SRI fund, which follows a strategy identical to that of the Echiquier Agenor SRI Mid Cap Europe sub-fund of the French SICAV, particularly on aspects of SRI processes, even if it has not been labeled.

**Fund Name:** Echiquier Agenor Euro SRI Mid Cap  
**AuM at 31/12/2019:** 171 million euros  
**Inception date:** 27/12/2018  
**Currency:** Euros (€)  
**SRI Strategies:** Best-in-Universe | Best Efforts | Exclusion  
**Benchmark:** MSCI EMU Mid Cap Net Return  
**Date granted first SRI label:** 05/11/2019  
**SRI labels:** French State SRI label  

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 Major SRI Growth Europe

**AuM at 31/12/2019:** 690 million euros

**Inception date:** 11/03/2005

**Currency:** Euros (€)

**SRI Strategies:** Best-in-Universe | Best Efforts | Exclusion

**Benchmark:** MSCI Europe Net Return

**Date granted first SRI label:** 27/09/2011

**SRI labels:** French State SRI label, Belgian label “Towards Sustainability”, German label “FNG***”


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. The 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 the Echiquier Major SRI Growth Europe sub-fund of the French SICAV, particularly on aspects of SRI processes, even if it has not been labeled.

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**Fund Name:** Echiquier Alpha Major SRI

**AuM at 31/12/2019:** 71 million euros

**Date of creation:** 17/04/2019

**Currency:** Euros (€)

**SRI Strategies:** Best-in-Universe | Best Efforts | 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-i/](https://www.lfde.com/fr/fonds/echiquier-alpha-major-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 Credit SRI Europe  
**AuM at 31/12/2019:** 206 million euros  
**Inception date:** 27/07/2007  
**Currency:** Euros (€)  
**SRI Strategies:** Best-in-Universe | Best Efforts | 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/fr/fonds/echiquier-credit-europe-i/](https://www.lfde.com/fr/fonds/echiquier-credit-europe-i/)

Echiquier Credit SRI Europe is a fund invested in corporate bonds, mainly from the euro zone, incorporating an SRI approach to credit analysis for selecting issuers.

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**Fund Name:** Echiquier Positive Impact Europe  
**AuM at 31/12/2019:** 154 million euros  
**Inception date:** 19/03/2010  
**Currency:** Euros (€)  
**SRI Strategies:** SRI Thematic | Best-in-Universe | Exclusion  
**Benchmark:** MSCI Europe Net Return  
**Date granted first SRI label:** 04/10/2016  
**SRI labels:** French State SRI label, Belgian label “Towards Sustainability”, German label “FNG**”  
**Link to the documentation:** [https://www.lfde.com/en/our-funds/echiquier-positive-impact-europe-i/](https://www.lfde.com/en/our-funds/echiquier-positive-impact-europe-i/)

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). Owing to its legal structure as a SICAV under French law, Echiquier Positive Impact Europe has exemplary governance and has chosen a predominantly independent board of directors, composed of sustainable development experts to challenge the work of the SRI 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-labeled 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
- [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
- [ESG INTEGRATION] for funds subject to ESG Integration

3.1. What are the objectives of incorporating ESG criteria into the investment 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 SRI team aims to raise the entire fund management 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 fund management team have received training dedicated to 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 SRI team.

In general, the objectives pursued by considering ESG criteria within LFDE’s fund management 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 to those who use it to gain a better understanding of the companies and ultimately to 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 fund 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: energy transition, responsible consumption, gender equality, etc.

- **Have a positive social and environmental impact**: In the case of SRI-labeled 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 first impact report published in 2019 on the Echiquier Positive Impact Europe fund enabled 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 use of ESG criteria as a potential performance driver, a strong conviction shared by the Management Committee and all LFDE employees. A study by LFDE published in 2019 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-labeled funds, the objectives sought by considering ESG criteria are as follows:

- **[POSITIVE IMPACT]**: By considering 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 contributing to the UN Sustainable Development Goals. Through this approach, the SICAV seeks to capture the growth of products and services with a positive environmental impact, and thereby help finance the transition to a more sustainable economy.
- **MAJOR**: The purpose of incorporating ESG criteria into the investment 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 practice, showing the voice to other companies in their sector. In a "Best Effort" approach, these funds also seek to invest in companies that are in a phase of improving their ESG practices, to support them in this dynamic and therefore to take advantage of the positive impact of these measures on their valuation and on reducing their risk.

- **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 approach and are in a positive dynamic of improving 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.

### 3.2. What internal and external resources are used for the ESG evaluation of issuers of 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 feed 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

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 business, 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 succession of the CEO, matching directors' 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 non-financial risks:** identification and management of non-financial risks, business ethics (including tax practices), quality of reporting and CSR discourse of the company and positive momentum for progress on ESG aspects.

For analyzing unlisted bond issuers: The "Respect for minority shareholders" section is replaced by the "Respect for creditors" section. The following subjects are analyzed in this section: objective of leverage consistent with the company's rating, level of financial aggressiveness, transparency and quality of financial information and quality of auditors.
- **Environment:**
  - **Policy and actions:** existence of an environmental roadmap (precise and time-dated objectives enabling trends to be identified), choice of indicators in this roadmap, level of ambition of the company towards its environmental objectives, environmental actions implemented to achieve the objectives set, existence of an environmental management system and significant environmental initiatives such as an internal carbon price or measures to protect biodiversity.
  - **Results:** communication of the company on the results of its action plan (results presented over a long period and evolution trends), evolution of the main environmental ratios (water consumption, CO2 emissions, energy consumption, production and treatment of waste, use of chemicals, etc.) and investments made to reduce its environmental impact.
  - **Suppliers:** suppliers' exposure to environmental risks, complexity of the supply chain, dependence on suppliers, support for suppliers towards better practices and supplier control.
  - **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 company turnover 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:** suppliers' exposure to social risks, degree of complexity of the supply chain, dependence on suppliers, support for suppliers towards better practices and supplier control.
  - **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 sponsorships), relations with local communities, customer satisfaction and participation in market CSR initiatives.

**[POSITIVE IMPACT] + [MAJOR]:** These funds use all the criteria detailed above because their ESG analysis is fully internalized, carried out in its entirety by the fund management team of La Financière de l’Echiquier, without resorting to a non-financial rating agency.

**[AGENOR] + [CREDIT] + [ESG INTEGRATION]:** These funds use the governance criteria as detailed above, because the analysis of this dimension remains fully internalized. The details of the environmental and social criteria used may differ from that presented above because, within the framework of these funds, research on environmental and social criteria is carried out with the support of MSCI ESG Research, which has its own analysis grid of these criteria. These are adapted to the sector and the challenges of each of the companies analyzed. 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 issuer. 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 are summarized in a Responsibility score. The calculation of the latter considers the type of company concerned:
  
  - For industrial companies: social and environmental criteria are equally weighted in the Responsibility score.
  - For service companies: the social score accounts for 2/3 of the Responsibility score while the Environmental score represents 1/3 of it.

In addition, an ESG controversy penalty is taken into account in calculating the ESG score. You will find the details of this penalty in point 3.6 of this Transparency Code.

### 3.4. What principles and criteria related to climate change are considered by funds?

At La Financière de l’Echiquier, we are convinced that climate change has and will have a major impact on our society and the companies that compose it. It is therefore essential that this dimension is an integral part of our analysis of the environmental risks of companies in our investment universes. 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 financial implications for organizations (direct damage to assets) and 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.

The principles and criteria relating to climate change are taken into account by all La Financière de l’Echiquier’s funds, present in this Code, in the environmental score, whether carried out internally or with the support of MSCI ESG Research, as detailed in paragraph 3.3 of this Transparency Code. This rating has an impact of around 20% on the ESG rating of an "Industry" issuer and around 15% on an ESG rating for a "Services" issuer. For SRI-labeled Funds only, this ESG rating is a restrictive filter within the management process.

[**Positive Impact**] In the case of Echiquier Positive Impact Europe, climate change criteria are also considered in the portfolio construction by selecting, through the "Solutions Score", issuers with a net positive contribution, for at least 20% of their sales on the SDGs, including the following two:

- SDG 7: Affordable and clean energy
- SDG 11: Sustainable cities and communities
The consideration of the principles and criteria relating to climate change is detailed in the various reports on Article 173 (§ VI) of the French Energy Transition for Green Growth Law available on LFDE website, on the pages of the funds concerned (ie those with assets under management above € 500 million at 31/12/2019) in the "Documents - Responsible Investment" section.

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] and [MAJOR], this preparatory work covers the environmental, social and governance pillars, which will be fully analyzed internally by the management team.
  - For [AGENOR], [CREDIT] and [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.

- **ESG interview**:  
  - As part of the [POSITIVE IMPACT] and [MAJOR] process, the ESG interview is systematic. 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 allows 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 investment process of [AGENOR], [CREDIT] and [ESG INTEGRATION]. However, during their many meetings with companies throughout the year, the fund managers and analysts are encouraged to address the most "material" ESG topics to enrich their knowledge of companies. 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 evaluation has been carried out according to a proprietary evaluation grid based on the three traditional pillars: Environment, Social and Governance.

The specific features of our evaluation 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 weight of the Environmental and Social ratings within the ESG rating varies according to the type of activity - "Industry" or "Services" - of the company (ie see table below).
- We do not standardise our ESG ratings (by capitalisation size, by sector, etc.)
- The weighting given to each sub-theme of the pillars was determined by LFDE's SRI 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] and [MAJOR]'s portfolios, this is not the case for [AGENOR], [CREDIT] 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. Apart from this, the rating model remains strictly the same as for SRI-labeled 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 SRI team before publication in our database, with the dual objective of training teams on a continuous basis and standardising 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>62.50%</td>
<td>62.50%</td>
</tr>
<tr>
<td>Management team quality</td>
<td>50%</td>
<td>50%</td>
</tr>
<tr>
<td>Check and balances</td>
<td>17%</td>
<td>17%</td>
</tr>
<tr>
<td>Respect of minority shareholders</td>
<td>16%</td>
<td>16%</td>
</tr>
<tr>
<td>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>Policies and actions</td>
<td>33%</td>
<td>33%</td>
</tr>
<tr>
<td>Results</td>
<td>33%</td>
<td>33%</td>
</tr>
<tr>
<td>Supply chain monitoring</td>
<td>17%</td>
<td>17%</td>
</tr>
<tr>
<td>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>Employee loyalty and development</td>
<td>34%</td>
<td>34%</td>
</tr>
<tr>
<td>Employee protection</td>
<td>33%</td>
<td>33%</td>
</tr>
<tr>
<td>Supply chain monitoring</td>
<td>11%</td>
<td>11%</td>
</tr>
<tr>
<td>Product social impact</td>
<td>11%</td>
<td>11%</td>
</tr>
<tr>
<td>Relationship with civil society</td>
<td>11%</td>
<td>11%</td>
</tr>
<tr>
<td>CONTROVERSY SCORE</td>
<td>max. - 20%</td>
<td>max. - 20%</td>
</tr>
</tbody>
</table>
**Engagement:** In 2013, we formalised our engagement approach based on the monitoring of the ESG progress of the companies in which we are invested. This allows us to value in priority those companies that are committed to improvement (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 formalised 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 portfolios of [POSITIVE IMPACT], [MAJOR] and [AGENOR].

In the case of [CREDIT] and [ESG INTEGRATION], throughout the year, fund managers and analyst have discussions with the companies in which they are invested. The engagement process is less formalised (sending of areas for improvement is not systematic). However, ESG topics are now increasingly fueling their exchanges with companies through the areas of improvement identified by managers and analysts during their ESG analyzes.

In addition to the approach of individual engagement with companies, in 2019 La Financière de l’Echiquier initiated a collaborative engagement approach, alongside other players 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. Details of 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. The voting activity is based on La Financière de l’Echiquier’s own voting policy, which is available on our website in the "Responsible Investment" section of the page "To find out more", in the section "LFDE documents - Shareholder dialogue". 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.

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 **[POSITIVE IMPACT]** and **[MAJOR]**, a maximum of 2 points (granularity of the penalty of 0.5) can be applied and sanctions ESG controversies on the three pillars.

  For **[AGENOR]**, **[CREDIT]** and **[ESG INTEGRATION]**, this penalty only sanctions governance controversies and is a maximum of 1 point. 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. 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-labeled 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 concerned), it will be removed from the portfolio as soon as possible, in the best interest of the holders.
  
  o For funds subject to ESG Integration: 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 internal ethics committee, which will decide for or against the sale of the security. The decisions of this committee will be taken in the interest of our holders and in order to preserve LFDE’s reputation. More details on this set up in the following paragraph.
- **By the ethics committee:** The ethics committee is an internal mechanism at the heart 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. The committee may decide but must above all demonstrate to the various stakeholders of La Financière de l’Echiquier (customers, employees, etc.) that we act consciously on all these subjects. This committee is a place of exchange. 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. Depending on the cases, the fund manager concerned as well as a member of the SRI team will also attend to present and discuss non-financial aspects of the case.

The ethics committee meets at least once a year to review the list of securities and sectors excluded from La Financière de l’Echiquier as well as on a case-by-case basis according to needs. The ethics committee may meet at the request of any stakeholder of the company, whose request has been deemed legitimate by the SRI team.

The traditional cases in which the ethics committee is held are as follows: definition of exclusion lists, questions of clients, emergence of a serious controversy within a company held in a portfolio as well as new investment cases in highly controversial companies (for example, guilty of violating one or more of the ten principles of the United Nations Global Compact).

If the decision of the ethics committee is unfavorable to maintaining a position in a portfolio, the fund manager has a maximum period of two months to exit the position, in the best interest of our holders.

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 permanent attention of the SRI team in this regard is essential in order to raise everyone’s awareness of these subjects and thus to limit the use of the ethics committee as much as possible.

In 2019, this committee met twice. 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 dealt with a controversial company in the video surveillance sector, which it decided to exclude from all funds, and maintained its surveillance on another controversial company in the automotive sector.
4. 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 elements of ESG research into their portfolio construction process, in a restrictive way. The steps described below are materialized in the investment process by filters restricting the investment universe of the funds:

- **EXCLUSION FILTER**: ESG research on sector exclusions has an impact on the portfolio construction of all funds managed ([POSITIVE IMPACT] + [MAJOR] + [AGENOR] + [CREDIT] + [ESG INTEGRATION]). La Financière de l’Echiquier systematically excludes from its entire range any company that derives more than 5% of its turnover from the production of tobacco and thermal coal. Any investment in companies that derive more than 5% of their turnover from the production, sale and distribution of recreational cannabis, as well as any company holding interests in companies involved in these activities, is also prohibited. 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 (no minimum threshold of turnover).

In addition, on a normative basis, attention is also paid to companies guilty of violating one or more of the ten principles of the United Nations Global Compact. If a manager wishes to invest in any of the companies on this list, he or she must convene the ethics committee, which will carefully examine each request. Only the committee will be able to decide if the stock, despite its controversial profile, can be invested.

In addition to these exclusions, SRI labeled funds ([POSITIVE IMPACT] + [MAJOR] + [AGENOR] + [CREDIT]) exclude investment in any company deriving more than 5% of its sales from the tobacco and weapons sectors (in the broad sense). It should be noted that within the armaments sector, companies involved in the "ABC" (Atomic, Biological and Chemical) weapons value chain are excluded regardless of the percentage of turnover derived from these activities. SRI equity funds labeled ([POSITIVE IMPACT] + [MAJOR] + [AGENOR]) also exclude the fossil fuel sector.

Exclusions related to the fossil fuel sector 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 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 fuel sector is in line with the requirements of the German "FNG" and "Towards Sustainability" labels.

In addition, on a normative basis, companies proven guilty of violation of one or more of the ten principles of the United Nations Global Compact are also excluded from the SRI labeled funds.
The inclusion policy of POSITIVE IMPACT is even more demanding because we wanted to exclude from the investment universe any company which, in our opinion, contributes negatively to achievement of the UN Sustainable Development Goals. In addition to the sectors set out above, these are companies which generate more than 5% of their turnover in the sectors of gambling, adult entertainment, alcohol, GMOs and life ethics are excluded. We believe that Echiquier Positive Impact Europe’s exclusion policy is 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 on which our various exclusions are based come from MSCI ESG Research and are updated quarterly.

The following is a summary of LFDE’s exclusion policy:

<table>
<thead>
<tr>
<th>EXCLUSIONS</th>
<th>Recreational cannabis</th>
<th>Production of tobacco</th>
<th>Tobacco</th>
<th>Controversial weapons</th>
<th>Other weapons</th>
<th>Production of thermal coal</th>
<th>Fossil fuels</th>
<th>Alcohol</th>
<th>Gambling</th>
<th>GMOs</th>
<th>Adult Entertainment</th>
<th>Life Ethics</th>
<th>UN Global Compact</th>
</tr>
</thead>
<tbody>
<tr>
<td>IMPACT INVESTING</td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Echiquier Positive Impact Europe</td>
<td>●</td>
<td>●</td>
<td>●</td>
<td>●</td>
<td>●</td>
<td>●</td>
<td>●</td>
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</tr>
<tr>
<td>SRI</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Echiquier Major SRI Growth Europe</td>
<td>●</td>
<td>●</td>
<td>●</td>
<td>●</td>
<td>●</td>
<td>●</td>
<td>●</td>
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</tr>
<tr>
<td>Echiquier Alpha Major SRI</td>
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<td>●</td>
<td>●</td>
<td>●</td>
<td>●</td>
<td>●</td>
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<td></td>
<td></td>
<td>●</td>
</tr>
<tr>
<td>Echiquier Agenor SRI Mid Cap Europe</td>
<td>●</td>
<td>●</td>
<td>●</td>
<td>●</td>
<td>●</td>
<td>●</td>
<td>●</td>
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<td>●</td>
</tr>
<tr>
<td>Echiquier Agenor Euro SRI Mid Cap</td>
<td>●</td>
<td>●</td>
<td>●</td>
<td>●</td>
<td>●</td>
<td>●</td>
<td>●</td>
<td>●</td>
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<td>●</td>
</tr>
<tr>
<td>Echiquier Credit SRI Europe</td>
<td>●</td>
<td>●</td>
<td>●</td>
<td>●</td>
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<td>●</td>
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<td>●</td>
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<td>●</td>
</tr>
<tr>
<td>ESG INTEGRATION</td>
<td></td>
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<td></td>
</tr>
<tr>
<td>Equity UCITS</td>
<td>●</td>
<td>●</td>
<td>●</td>
<td>●</td>
<td>●</td>
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<td>●</td>
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<td>●</td>
<td></td>
<td></td>
<td>○</td>
</tr>
<tr>
<td>Diversified UCITS</td>
<td>●</td>
<td>●</td>
<td>●</td>
<td>●</td>
<td>●</td>
<td>●</td>
<td>●</td>
<td>●</td>
<td>●</td>
<td>●</td>
<td></td>
<td></td>
<td>○</td>
</tr>
<tr>
<td>Bonds and Convertibles Bonds UCITS</td>
<td>●</td>
<td>●</td>
<td>●</td>
<td>●</td>
<td>●</td>
<td>●</td>
<td>●</td>
<td>●</td>
<td>●</td>
<td>●</td>
<td></td>
<td></td>
<td>○</td>
</tr>
</tbody>
</table>

Criteria applied systematically ○ Criteria applied punctually

- **ESG CONVICTION FILTER:**

  - **[ESG INTEGRATION]:** ESG integration means that environmental, social and governance criteria are taken into account in traditional management without having a systematic impact on the selection of companies in the portfolio. Therefore, in the case of funds subject to ESG Integration only, the fund manager is not constrained in the construction of his portfolio by the ESG ratings of issuers. However, information derived from ESG research can, like financial research, contribute to fund managers’ investment choices and enrich their knowledge of companies. 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 SRI team supports and raises awareness throughout the year of managers and financial analysts to make the most of ESG research.

Each of the ESG analyses produced is verified by the SRI team before publication, with the dual objective of providing continuous training to the teams and standardising rating practices across the management team.
In addition, decisions made by the ethics committee - concerning companies considered controversial from an ESG point of view - may have an impact on the management of funds subject to ESG integration. The ethics committee may, for example, decide on the divestment of certain controversial issuers.

**[POSITIVE IMPACT]** + **[MAJOR]** + **[AGENOR]** + **[CREDIT]**: Within the framework of SRI-labeled 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 score equal to or above 5.5/10 for **[AGENOR]** and **[CREDIT]**, 6.0/10 for **[MAJOR]** and 6.5/10 for **[POSITIVE IMPACT]**. This minimum ESG rating threshold depends on the non-financial objective pursued by the fund and on the ESG quality of its investment universe. In all cases, the fund's exclusion policy and minimum ESG rating must allow the fund to exclude at least 20% of its investment universe. The selectivity rates for each of the SRI-labeled funds as at 31/12/2019 are detailed in the table below.

**[MAJOR]** In addition, since 2018, Echiquier Major SRI Growth Europe and in its path Echiquier Alpha Major SRI have integrated ESG factors in the management of its weightings. Thus, when a company’s ESG rating is higher than the fund's average ESG rating, fund managers may, at their discretion, apply a bonus to the weighting within the portfolio. This may be a maximum of 0.5% of the initial weighting, resulting solely from a financial reading of the investment case.

You will find below a summary table of the ESG profiles of each SRI labeled fund of La Financière de l’Echiquier as of 31/12/2019:

<table>
<thead>
<tr>
<th>IMPACT INVESTING</th>
<th>ESG RATING</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Echiquier Positive Impact Europe</strong></td>
<td>100%</td>
</tr>
<tr>
<td><strong>SRI</strong></td>
<td><strong>ESG RATING</strong></td>
</tr>
<tr>
<td><strong>Echiquier Major SRI Growth Europe</strong></td>
<td>100%</td>
</tr>
<tr>
<td><strong>Echiquier Alpha Major SRI</strong></td>
<td>100%</td>
</tr>
<tr>
<td><strong>Echiquier Agenor SRI Mid Cap Europe</strong></td>
<td>100%</td>
</tr>
<tr>
<td><strong>Echiquier Agenor Euro SRI Mid Cap</strong></td>
<td>100%</td>
</tr>
<tr>
<td><strong>Echiquier Credit SRI Europe</strong></td>
<td>100%</td>
</tr>
</tbody>
</table>
- **SOLUTION FILTER: [POSITIVE IMPACT]** This filter applies to Echiquier Positive Impact Europe only. The SICAV only invests in companies that contribute positively to the UN Sustainable Development Goals (SDGs). In this context, we have implemented a filter that allows us to only include in our investable universe companies with a net positive contribution to these objectives. In order to identify them, we have implemented a 100-point "Impact Score", which is the average of two net scores, the "Solutions Score" and the "Initiatives Score" as detailed below:

a. **"Solutions Score"** over 100 points: this score measures the percentage of revenue that the company achieves by net contribution to one or more of the nine SDGs selected by the SRI 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 called a 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 company’s net positive contribution to the seventeen UN SDGs in relation to the various significant actions and initiatives it can implement on environmental, social and societal aspects. The SRI team has...
identified for each of the seventeen SDGs, one or more significant initiatives that can be intentionally implemented by the company to contribute to them. 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 the initiatives (positive and negative) carried out by the company on the seventeen SDGs makes it possible to determine its "Initiative Score".

The average of these two net scores allows us to determine the "Impact Score" of each issuer. Within the framework of this Solution filter, in order for an issuer be integrated in the Echiquier Positive Impact Europe portfolio, it must obtain a minimum "Solutions Score" of 20/100 (ie 20% of its net positive contribution turnover to the 9 chosen SDGs) and an "Impact Score" of 25/100.

The results of the ESG research also make it possible to analyse issuer controversies. This research, as well as the ethics committee's decisions on these aspects, may also have an impact on the construction of the portfolio.

To visualise, for each of our SRI labeled 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 31/12/2019:
ECHIQUIER MAJOR SRI GROWTH EUROPE
ECHIQUIER ALPHA MAJOR SRI

Starting universe
Companies listed in the European Union with a market cap of more than EUR 5bn
≈ 600 stocks

Watchlist
Leadership and annual revenue growth ≥ 5%
≈ 240 stocks

1 EXCLUSION FILTER
Norm-based and Sector Exclusions
≈ 170 stocks

2 ESG CONVICTION FILTER
ESG Rating ≥ 6.0/10
≈ 170 stocks

Fundamental Analysis
Meeting with management, investment case and valuation

Portfolios
Echiquier Major SRI Growth Europe
Echiquier Alpha Major SRI
≈ 35 stocks

ECHIQUIER AGENOR SRI MID CAP EUROPE

Starting universe
Companies listed in the European Union with a market cap of between 1Mds€ and 10Mds€
≈ 820 stocks

1 EXCLUSION FILTER
Norm-based and Sector Exclusions
≈ 800 stocks

2 ESG CONVICTION FILTER
ESG Rating ≥ 5.5/10
≈ 800 stocks

Liquidity filters
Daily transaction volume of minimum 1M€
≈ 450 stocks

Operational filters
Stock market resilience and operating performance
≈ 150 stocks

Fundamental Analysis
Meeting with management, investment case and valuation

Portfolio
Echiquier Agenor SRI Mid Cap Europe
≈ 40 stocks
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 impacts on approximately 20% the ESG rating of an "Industry" issuer and approximately 15% the ESG rating of a "Services" issuer.

For SRI-labeled funds only ([POSITIVE IMPACT], [MAJOR], [AGENOR] and [CREDIT]), this ESG rating is a restrictive filter within the fund management process.

[POSITIVE IMPACT]: In the particular case of Echiquier Positive Impact Europe, climate change criteria are also taken into account in the construction of the portfolio through a positive selection. Are selected, via the "Solutions Score", only companies with a net positive contribution to the SDGs of at least 20% of their turnover, including the following two:

- SDG 7: Affordable and clean energy
- SDG 11: Sustainable cities and communities

The construction of the portfolio and the choice of issuers in the portfolio are not made at this stage according to their carbon footprint.

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

[POSITIVE IMPACT] + [MAJOR] + [AGENOR]: For SRI labeled equity funds, no issuer may be invested unless it has been the subject of an ESG analysis beforehand. The number of issuers with an ESG rating is therefore 100% at all times.

[CREDIT]: Within the framework of SRI-labeled bond funds, a pocket of 5% of unrated issuers is authorized, offering the manager the flexibility necessary to participate in issues in the primary market. A daily post-trade check makes sure that this pocket does not exceed the authorized limit of 5%. The issuers concerned must be rated on ESG criteria within a maximum of 3 months. This timeframe is monitored by the risk management team. 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 3 months maximum to divest.

[ESG INTEGRATION]: For funds subject to ESG integration only, an issuer's systematic ESG rating prior to investment is not required. However, it must be carried out within a limited time after investment. Our objective is to maintain a minimum of 90% of portfolio issuers with an ESG rating throughout the year (with the aim of updating these ratings every two years). However, the process of managing these funds is not formally constrained by ESG analysis.
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. It has not changed in the last twelve months.

During 2019, several changes affected the management processes of funds managed by LFDE:

- In the case of the entire range of funds managed by LFDE, the main developments concern the strengthening of our sector exclusion policy:
  - **Exclusions: Lowering tolerance levels** from 10 to 5% of sales in all sectors excluded from LFDE. This amendment has therefore increased the number of excluded issuers for all La Financière de l’Echiquier funds.
  - **Exclusions: Addition of recreational cannabis** to the list of excluded sectors for the entire range of funds. This decision was taken at the ethics committee of March 2019. On this occasion, it was established that any investment in companies deriving more than 5% of their turnover from the production, sale and distribution of recreational cannabis as well as any companies holding participations in companies involved in these activities was prohibited.

- In addition to these changes, SRI-labeled funds have also undergone some changes:
  - **Exclusions: Strengthening our exclusion policy from the weapons sector.** Companies involved in the "ABC" (Atomic, Biological and Chemical) weapons value chain were previously excluded with a tolerance threshold of 10% of sales. This threshold has been removed. Companies are now excluded regardless of their level of income related to "ABC" weapons. Our exclusion policy from the weapons sector is now in line with the requirements of the German "FNG" and Belgian "Towards Sustainability" labels.
  - **Exclusions: Broadening the scope of our fossil fuel exclusion policy:**
    - Exclusion of companies owning oil sands, shale oil or shale gas reserves
    - Exclusion of companies involved in nuclear activities (production, construction of infrastructure, etc.)
    - Exclusion of electricity producers whose nuclear, coal, petroleum or natural gas sources more than 5% of their energy mix

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

- **For [POSITIVE IMPACT]**: The management process of Echiquier Positive Impact Europe has undergone several changes over the last 12 months:
  - **Impact score:** Several elements have been modified in the methodology for calculating the "Impact Score" of an issuer.
    - We have decided to reason in net impact of companies in relation to the SDGs, by integrating both negative and positive externalities of their products and services, but also more broadly of the conduct of their activity, within our analysis. In the first version of our methodology, this notion was formalised within an overall penalty applicable to each company. We wanted to strengthen this dimension by integrating it into the "Solutions Score" and
"Initiatives Score " so that these two scores are expressed in "net". Thus, each criterion of these two scores is both analyzed in terms of negative and positive impact. This makes our judgment of the contribution of business to the SDGs more accurate.

- In addition, within the "Solution Score ", we went from a minimum threshold of 10% to 20% of sales making a positive contribution (net contribution) to one or more of the nine identified SDGs to be integrated in the portfolio. The tightening of this constraint has led us to exclude several issuers from our investment universe.

- **MAJOR**: Echiquier Alpha Major SRI was created on 17/04/2019. Its investment process is modeled on that of Echiquier Major SRI Growth Europe, with identical SRI investment constraints. In this context, the fund obtained in November 2019 the French State's SRI label.

- **AGENOR** + **CREDIT**: Echiquier Agenor SRI Mid Cap Europe, Echiquier Euro SRI Mid Cap and Echiquier Credit SRI Europe underwent several changes to their management process during 2019 as part of their SRI labeling: 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... Details of these changes are available in the paragraph 4.1 which explains the management process of these funds. These developments enabled these three funds to obtain the French government's SRI label in November 2019.

4.5 Is a portion of the funds’ assets invested in solidarity-based organizations?

No, none of the funds invest their assets in solidarity-based organizations.

However, a management fee sharing mechanism has been set up for the Echiquier Positive Impact Europe. A portion of the fund’s management fees is paid to the Foundation Financière de l’Echiquier under the aegis of the Fondation de France. The amount of this donation varies, depending on the share chosen, between 0.2% and 0.6% of the fund’s assets on an annual basis. The funds collected through this mechanism are intended to finance projects of the foundation mainly in line with three Sustainable Development Goals:

- SDG 4: Quality education
- SDG 5: Gender Equality
- SDG 10: Reduced inequalities

The SRI team is involved in the selection of projects selected by the Foundation through a permanent seat on the Foundation’s Education Engagement Committee. In 2019, this mechanism enabled us to donate € 518,533 to the Financière de l’Echiquier Foundation.

4.6 Do funds lend or borrow securities?

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

Within the framework of SRI-labeled funds, LFDE uses derivatives in a variable way, ensuring that they do not run against the ESG objective of each fund:

- **[POSITIVE IMPACT]**: The prospectus of the Echiquier Positive Impact Europe SICAV does not provide the possibility to use derivative instruments.

- **[MAJOR] + [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 hedging purposes only to hedge the interest rate risk of the portfolio. These operations will be carried out within the limit of one time the assets of the fund.

**[ESG INTEGRATION]**: For the funds subject to ESG Integration only, the use of derivatives is permitted by prospectus and falls within the following framework:

- **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 the assets may be used by some funds on an occasional basis and in no event will exceed 110% of the fund’s NAV.

The instruments authorized by the bond fund prospectuses are index futures, securities and index options, 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.

- **Convertible bond funds**: Derivatives may be used by some of our convertible funds to hedge the different types of risks in the portfolio. The funds preferably operate on organized futures markets (presence of a clearing house), but reserve the right to conclude over-the-counter contracts when these contracts allow a better adaptation to the management objective or have a lower trading cost. Funds may use any financial instrument, whether fixed or forward.
The main types of uses and instruments that may be used, depending on the risks involved, are:

- **Equity risk:** to hedge or to replicate the risk profile of a convertible bond. The instruments are mainly options and futures.
- **Interest rate risk:** mainly to reduce or adjust the portfolio's sensitivity. The instruments are mainly futures or swaps.
- **Credit risk:** in purchase of protection only, by means of single-signature CDS or index CDS. We do not make use of this possibility within our convertible bond funds.
- **Currency risk:** It is the policy of the funds to neutralize as much as possible the currency risk associated with investments in assets denominated in currencies other than the euro. The share of currencies other than the euro is kept below 10% of NAV. The instruments used are swaps and forwards.

- **Multi-asset funds:** The management team may use hedging derivatives to adjust exposure levels and actively manage duration, among other things. 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 funds. Funds are prohibited from carrying out any swap transactions. 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.

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.

Where appropriate, particular attention is paid to the choice of these funds within the framework of La Financière de l'Echiquier's SRI-labeled funds, to ensure, as far as possible, their consistency with the SRI investment policy of the company. This possibility is mainly used to meet needs related to cash investments, for example through an investment in Echiquier Short Term Credit which is covered by our ESG integration approach. The investment of cash in commercial paper is subject to the same ESG management rules as the securities held in the SRI-labeled funds (minimum ESG rating, sectors and practices excluded).
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?

For all funds managed by La Financière de l’Echiquier, a pre-trade control is carried out to ensure that portfolios comply with the sectorial and normative exclusion rules set for each fund. The lists of companies to be excluded are provided by MSCI ESG Research. They are integrated into our Order Management System (OMS), which automatically blocks any security purchases on these lists. The content of these lists is rigorously updated on a quarterly basis by the compliance and internal control team. If a company in the portfolio becomes non-investable, regarding the sector and normative exclusion rules set, a roadmap for the divestment will be established with the fund manager, within a reasonable time and in the best interest of the holders. In no case should this value be strengthened within this portfolio.

For SRI labeled funds managed by La Financière de l’Echiquier, additional controls are implemented to ensure that SRI portfolios comply with the ESG rules set for their management.

Internal Control Features:

- First level controls:
  - **SRI team**: The SRI team is at the forefront of ensuring that fund managers of SRI-labeled funds 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, SRI 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.
  - **Pre-trade controls**: They are performed by our Order Management System software (OMS) to which managers transmit orders to buy and/or sell securities within portfolios:
    - **[POSITIVE IMPACT] + [MAJOR] + [AGENOR] + [CREDIT]** Within the framework of equity SRI labeled funds, the OMS software automatically blocks any purchase of stocks that do not have the minimum ESG rating required or which do not have an ESG rating at all. This blocking is made possible by the formalisation and rigorous integration of all ESG ratings in our database, under the control of the SRI team.
    - **[CREDIT]** In the context of fixed income SRI-labeled funds, the pre-trade control takes the form of an alert (not a freeze). Indeed, the warning message alerts the fund manager if he/she wishes to place an order on a security that does not have the minimum ESG rating required or which do not have an ESG rating at all. This difference in pre-trade controls between SRI equity and fixed income funds is linked, at this stage, to technical implementation difficulties.
  - **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. In the event of non-compliance, the Middle Office ("MO") and Risk teams are immediately alerted by PMS. After analyzing the alert and in case of a breach, MO/Risk team notify directly the fund managers in charge of the portfolio (by email with the Compliance department in copy). 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**: A daily check is carried out on the ESG ratings to ensure the compliance of ratings rules defined within the SRI-labeled funds. 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.

  [CREDIT] In addition, within the framework of Echiquier Credit Europe SRI, a 5% pocket of unrated issuers in the portfolio is authorized, allowing the fund manager a certain flexibility to participate in primary market bond issuing. The daily post-trade check ensures that the 5% unrated securities in portfolio has not been exceeded. The issuers of securities purchased under primary markets are subject to an ESG rating within a maximum of 3 months. The Risk department is in charge of monitoring this time frame. Should the ESG rating be lower than the minimum ESG rating required for the fund, the fund manager would have a maximum period of 3 months to divest the security, in the holder’s best interest.

- **Country**: The same control is in place for all SRI labeled funds to verify that no investment is made in companies domiciled in the countries listed in the following lists, for tax reasons:
  - The French State List of Non-Cooperative States and Territories (ETNC)
  - The European Union list of non-cooperative countries and territories for tax purposes

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 aim of LFDE’s compliance and internal control team is to ensure the effectiveness of all the controls in place - described above – to ensure that SRI-labeled portfolios comply with the ESG rules set out by La Financière de L’Echiquier. The SRI-labeled funds will be subject to a semi-annual control by the internal control department. 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 SRI-labeled portfolio.
External Control Features:

In the case of funds that hold the French State's SRI label, external controls are carried out by the labeliser. This is, for us, the independent audit firm EY. The SRI label is obtained for a period of three years. Checks are carried out annually on a documentation basis 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 to obtain the Belgian "Towards Sustainability" and the German "FNG" labels. These last audits only concern Echiquier Major SRI Growth Europe and Echiquier Positive Impact Europe.

In June 2018, all La Financière de l’Echiquier’s responsible investment activities (internal processes, reporting and external communications) were audited by KPMG, within the framework of outsourcing of the management company’s periodic control tasks. At the end of these checks, no significant anomaly was detected, and the areas of improvement identified were taken into account by the SRI team.

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

6.1. How is the ESG quality of funds evaluated?

The ESG ratings used to assess the ESG quality of the funds are based on a proprietary ESG analysis methodology, the process of which is described in paragraphs 3.3 to 3.5. Its main feature is governance, which accounts for approximately 60% of the ESG rating and whose analysis is fully internalized.

[ESG INTEGRATION] For funds subject to ESG integration, the ESG footprint of the portfolios is disclosed monthly in the monthly financial report of each fund. The ESG quality of funds is thus assessed using the following criteria:

- Percentage of stocks in the portfolio covered by ESG analysis
- Average ESG rating of the fund
- Average Environmental score of the fund
- Average Social score of the fund
- Average Governance score of the fund

[POSITIVE IMPACT] + [MAJOR] + [AGENOR] + [CREDIT] For SRI-labeled funds, the ESG footprint of the portfolios is disclosed monthly in the monthly financial report of each fund. It contains two pages of traditional financial indicators and two pages of non-financial indicators. The ESG quality of funds is thus assessed using the following criteria:

- Percentage of stocks in the portfolio covered by ESG analysis
- Selectivity rate of the fund *
- Average ESG rating of the fund
- Average Environmental score of the fund
- Average Social score of the fund
- Average Governance rating of the fund
- 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 investment universe *
- Comparing the fund's average E, S and G scores with those of its investment universe *

Criteria marked "*" are updated quarterly. Other criteria are updated monthly.

These indicators allow us to measure the impact and performance of our funds in terms of environmental, social and governance practices.

From 2020, each SRI-labeled fund will be the subject of an annual SRI report, aiming to describe the means implemented to integrate non-financial criteria into its management as well as to present the performances of our investments over these aspects over the past year.
6.2. What ESG impact indicators do funds use?

[ESG INTEGRATION] For funds subject to ESG integration, an environmental impact indicator is used and disclosed monthly in the monthly financial report of each fund:

- **Environmental Impact - Carbon Footprint**: As part of the response to Article 173 (§ VI) of the French Energy Transition for Green Growth Law, we disclose the carbon footprint of our funds (in comparison with their benchmark) in tons of CO2 equivalent per million euros invested. The calculation method used is as follows:

\[
\frac{\text{Sum of carbon emissions from companies held in tons of CO2 equivalent}}{\text{Sum of outstanding companies held in millions of euros}}
\]

[POSITIVE IMPACT] + [MAJOR] + [AGENOR] + [CREDIT] Within the framework of SRI-labeled funds, several impact indicators (environmental, social, governance and human rights) are disclosed in the monthly financial report from each fund:

- **Environmental Impact - Carbon Footprints**: As part of the response to Article 173 (§ VI) of the French Energy Transition for Green Growth Law, we disclose the carbon footprint of our funds (in comparison with their benchmark) in two different ways (with associated calculation methodologies):

  o In tons of CO2 equivalent per million euros invested:

\[
\frac{\text{Sum of carbon emissions from companies held in tons of CO2 equivalent}}{\text{Sum of outstanding companies held in millions of euros}}
\]

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

\[
\frac{\text{Sum of carbon emissions from companies held in tons of CO2 equivalent}}{\text{Sum of companies turnover held in millions of euros}}
\]

- **Human Rights Impact - 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 calculation method used is as follows:

\[
\frac{\text{Total number of companies in portfolio signatories of the UN Global Compact}}{\text{Total number of companies in portfolio}}
\]

- **Social impact - Headcount growth**: We analyse the headcount growth of the companies in our portfolios. Using this indicator, we wish to measure the job creation dynamics of the invested companies in comparison with that of the investment universe of each of the funds. 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 calculation method used is as follows:

\[
\frac{\text{Number of employees year } Y}{\text{Number of employees year } Y - 1} - 1
\]
- **Impact Governance - Feminisation of boards**: We analyse the feminisation rate of boards of companies present within our portfolios. Thus, we want to measure whether the companies invested are better than those in the investment universe of each of the funds in terms of the presence of women on the board. These figures obviously reflect the differences in legislation between countries, but also the level of voluntarism and proactivity of companies on the subject.

The calculation method used is as follows: $\frac{\text{Number of women on the Board}}{\text{Total number of members on the Board}}$

**[POSITIVE IMPACT]** In the particular case of Echiquier Positive Impact Europe, we use an additional impact indicator that is presented in the fund’s monthly financial reporting:

- **Impact of the UN Sustainable Development Goals**: We measure the intensity of the contribution of the companies in our portfolio to the contribution and commitment towards the UN Sustainable Development Goals. This indicator covers social, environmental and human rights aspects. Several indicators make it possible to apprehend this impact:
  - Average Solutions, Initiatives and Impact 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

These impact indicators are likely to appear in other media reporting media (details of the media concerned in paragraph 6.3 below).

**[POSITIVE IMPACT]** In addition, since 2019, we have published an impact report on the Echiquier Positive Impact Europe fund. This report, closely linked to the UN Sustainable Development Goals, contains many indicators to highlight the positive impact generated by investment within the Echiquier Positive Impact Europe portfolio. It will cover the positive impact linked to the companies invested, the shareholder engagement and the sharing of the SICAV’s management fees with the Fondation Financière de l'Echiquier.

In addition, as part of the response to Article 173 (§ VI) of the French Energy Transition for Green Growth Law, all outstanding funds of more than 500 million euros have a dedicated report on the theme. This report provides numerous indicators to assess the impact of the portfolios concerned on climate change.
6.3. What media are available 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
- UN PRI Transparency Report
- UN PRI Evaluation Report
- Voting and engagement policy
- Report on the exercise of voting rights and engagement
- "Responsible investing by LFDE" brochure
- "SRI & Performance by LFDE" study
- SRI quarterly comments in monthly letter

They are available on our website in the "Responsible Investment" section, on the "To find out more" page, under the "LFDE Documents" section. The quarterly SRI newsletters are available on the "News" page of the "SRI News" section.

Within the framework of SRI-labeled funds, other media are available:

- Monthly SRI report integrated with the funds’ monthly financial report
- Annual SRI reporting (expected publication in 2020)
- Full inventory of portfolios (every 3 months with a 3-month lag)
- "Article 173" Sustainability Report (for [MAJOR] Echiquier Major SRI Growth Europe and [AGENOR] Echiquier Agenor SRI Mid Cap Europe only because their AuM exceed 500 million euros at 31/12/2019)

For other funds subject to ESG Integration only, the following media is available:

- Monthly report with quantitative ESG & carbon data
- “Article 173” Sustainability Report (for funds over € 500 million only)

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

In addition, we organise events for our clients, several times a year, to raise their awareness of SRI and to inform them about changes in our approach. Following an internal SRI training initiative initiated in 2018, for which we created a training module, LFDE launched in 2019: The School of SRI by LFDE. An SRI training program for clients (in particular IFAs). In this way, we hope to contribute to increasing public awareness in the field of responsible investing.

At the same time, La Financière de l’Echiquier regularly participates in SRI-related events and joins in the work carried out on these themes. For example, we regularly speak at SRI roundtables.
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 document, which is intended to be educational and illustrative, highlights our whole dynamic of shareholder dialogue with companies throughout the life cycle of our investments. It also allows us to monitor the progress of companies in relation to the areas of improvement we have shared with them.

It is available on the website of La Financière de l’Echiquier, in the "Responsible Investment" section, on the "To find out more" page, under the "LFDE Documents - Shareholder Dialogue" section.