



**SFDR POLICY**

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**La Financière de  
l'Echiquier**

# SUSTAINABLE FINANCE DISCLOSURE REGULATION

## SFDR POLICY

### LA FINANCIERE DE L'ECHIQUIER

#### INTRODUCTION

Since the Paris Climate Agreements and the announcement of the European Commission's action plan for Sustainable Finance, awareness is growing about environmental – especially climate –, social and governance issues. This **is changing the traditional view of finance, with a shift towards more responsible finance**.

Against this backdrop, **EU Regulation (EU) 2019/2088**, the *Sustainable Finance Disclosure Regulation* (SFDR), comes into effect on 10 March 2021. It aims to make up for the lack of harmonised rules within the European Union concerning **publishing information about sustainability. Intended for end investors**, this information should give them the possibility to compare extra-financial characteristics and performances of various financial products.

On the date of writing this policy, the Regulation (level 1 text) had been published, as well as recently the *Regulatory Technical Standards* (RTS - level 2 texts), specifying the application of level 1 texts. The main aim of these texts, which are in the process of being reviewed and adopted by our teams, is to clarify, harmonise and standardise regulatory requirements.

Faced with this new regulatory challenge, La Financière de l'Echiquier (LFDE) – a long-standing responsible investor – is fully committed to responding to these new challenges and obligations with regard to sustainable finance.

This policy will be updated on a regular basis. We draw your attention in particular to the fact that as of the date of writing this policy, the implementing legislation had not yet been fully assessed and only the main principles of the new regulations are known.

Please note that the funds mentioned may not be registered in some countries. If you have any questions, please contact your usual contact at LFDE.

**Updated:** March 2021

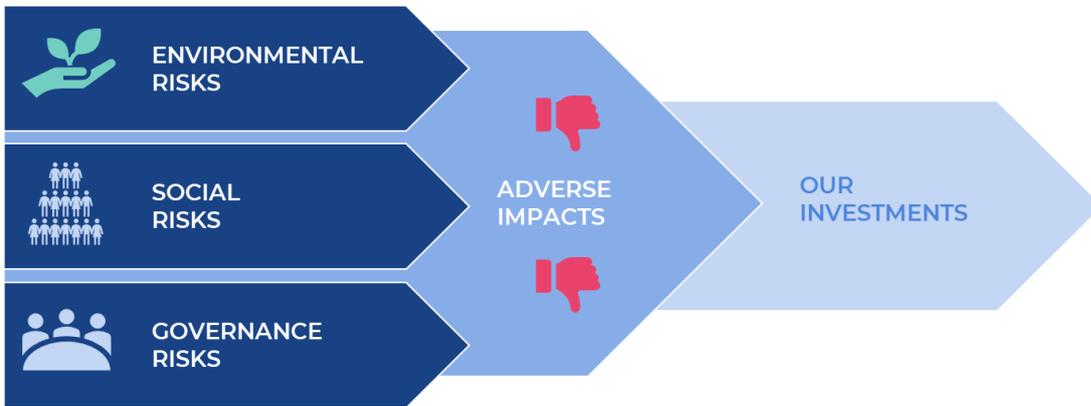
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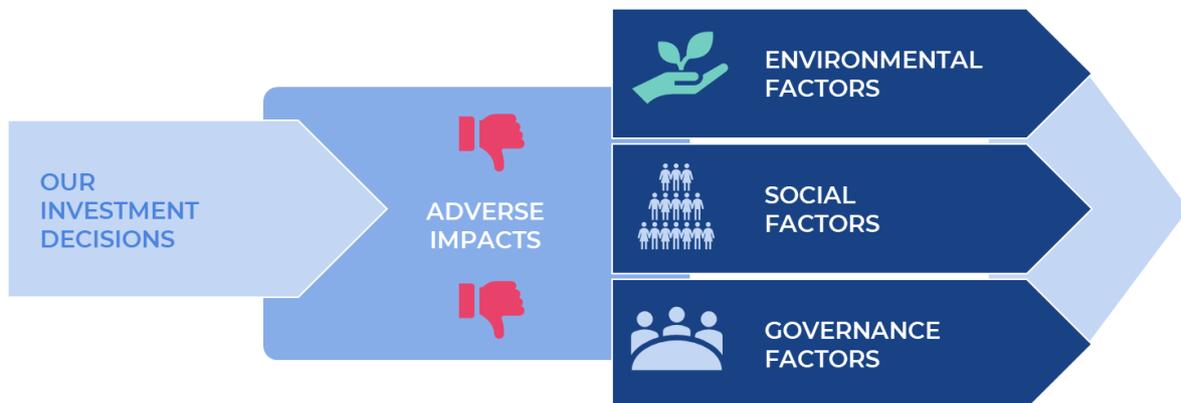
## I. MAIN CONCEPTS DEFINED BY THE SFDR

This new regulation introduces two new concepts:

- **Sustainability risk:** This is defined as an environmental, social or governance event or condition that, if it occurs, **could cause a negative material impact/adverse impact on the value of the investment.**



- **Adverse sustainability impacts:** This is defined as **the material or potentially material adverse effects of investment decisions** on sustainability factors – meaning environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters - or which could contribute to such effects or be directly related to them.



The regulation also introduces a harmonised definition of the notion of **sustainable investment**, which requires that the investee companies follow good governance practices and that the precautionary principle of **“do no significant harm”** is ensured, in a way that they do not cause any environmental and/or social significant damage.

Based on these concepts, financial products are categorised<sup>1</sup> according to how they address sustainability risk and adverse effects in terms of sustainability:

- **PRODUCT ELIGIBLE FOR ARTICLE 8:** Financial product which **actively promotes environmental and/or social characteristics**, through investment in companies with **good corporate governance practices**.
- **PRODUCT ELIGIBLE FOR ARTICLE 9:** Financial product which has **sustainable investment** as its objective, in other words the **investment is made in an economic activity that contributes to an environmental and/or social objective**, provided that these investments **do not significantly harm** any of these objectives and that the companies in which the investments are made **follow good governance practices**.
- **PRODUCT ELIGIBLE FOR ARTICLE 6:** If a financial product does not comply with article 8 or article 9, it shall de facto comply with article 6. **This status does not imply taking into account non-financial criteria**. However, it entails a duty of transparency as to whether or not sustainability risk is taken into account in managing the financial product.

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<sup>1</sup> Financial products as defined by the SFDR comprise UCITS, AIFs, portfolios managed under mandate, insurance-based investment products, pension products, pension schemes and PEPPs.

## II. POLICY FOR INTEGRATING SUSTAINABILITY RISKS AND THE CONSIDERATION OF ADVERSE SUSTAINABILITY IMPACTS OF MANAGING FUNDS

### 1. GENERAL APPROACH

Since 1991, we have paid particular attention to the governance of the companies in which we invest, in particular men and women who run them. In 2007, we formalised our SRI methodology, a proprietary method that has been enriched over time but which is still based on the same foundation of meeting with managers, the only way to forge a well-grounded opinion on the ESG quality of companies.

Our approach is based on the following principles:

- **Sector and Normative Exclusions:** A set of exclusions shared by all funds managed by LFDE. Additional exclusions apply to SRI and Impact funds.
- **ESG analysis:** All stocks in the portfolios are given a non-financial rating based on Environmental, Social and Governance criteria, paying particular attention to corporate governance.
- **Controversies:** Particular attention is paid to the existence of ESG controversies. Ethics committee meetings are held to deliberate on the most sensitive cases.
- **Dialogue and Engagement:** Regular meetings with the management of investee companies making it possible to address the areas of progress identified during the ESG analysis of each company. Also, participation in collaborative engagement initiatives.
- **Voting at General Meetings:** Systematic participation in votes for companies in the portfolio.
- **Transparency:** Increased transparency on our approach as a responsible investor as well as our investments by means of documents, reports and disclosures freely accessible on La Financière de l'Echiquier website.

Our approach is systematically based on these six principles and is implemented differently for each of the three categories of funds that make up our product range.

Each category has a growing degree of awareness of non-financial criteria in the management of funds. La Financière de l'Echiquier intervenes as a responsible investor in three ways:

- 1) **[ IMPACT INVESTING ]** These funds are based on an “impact” management process, **significantly incorporating non-financial criteria**. Furthermore, these products incorporate one or more **sustainable investment objectives**. With this type of investment, our aim is to **maximise the positive environmental and social impact** of each of our investment decisions.

These funds comply with [SFDR article 9](#) and are also **systematically labelled as SRI funds**, with at least the French government’s SRI Label.

- 2) **[ SUSTAINABLE CONVICTIONS ]**: These SRI investment funds are characterised by management processes that **significantly incorporate non-financial criteria**. In this case, **analysing non-financial criteria has a material impact on which companies we select for the portfolios**. It contributes to better risk identification and detection of new investment opportunities.

These funds comply with [SFDR article 8](#) and are also **systematically labelled as SRI funds**, with at least the French government's SRI Label.

- 3) **[ ESG INTEGRATION ]**: For the rest of our directly managed funds, our approach consists of **taking account of Environmental, Social and Governance criteria in our investment management**. Analysing non-financial criteria, in particular corporate governance, helps us identify ESG best practices and better assess the risks to which companies are exposed. Non-financial criteria **do not have a significant influence on which instruments are selected**.

These funds comply with [SFDR article 6](#).

The following are currently excluded from this overall approach for incorporating non-financial criteria:

- Quantitative funds, which in their construction do not incorporate non-financial criteria.
- **Funds of funds**. Although the approach described above cannot be applied to this category, portfolio **managers nevertheless analyse the sustainable investment approach used in the underlying funds** and take this into account in their selection without this being restrictive, thanks to our proprietary methodology, **the "SRI Maturity by LFDE" methodology**.

The integration of non-financial criteria into the management process for these various approaches is set out in detail in the AFG-FIR Transparency Code, available on our website, in the "Responsible Investment" section of the page ["To find out more"](#), under "LFDE Documents – General Approach".

The list of funds corresponding to each category is provided in paragraph V on the classification of our products.

## 2. APPROACH RELATING TO TAKING ACCOUNT OF CLIMATE RISK

The management of ESG risks and opportunities, including those relating to climate change, has been central to La Financière de l'Echiquier's responsible investment approach for many years, whether in terms of identifying the risks or analysing opportunities in this area for each of our investments. These risks and opportunities are assessed in our various proprietary methodologies used to analyse companies within our various funds: environmental pillar of our ESG analysis, "SDG score" and "Climate Maturity Score". Analysis of the carbon footprint of our funds also allows us to take greater account of climate risk.

In addition, at the start of 2021, we decided to enhance our approach to include a corporate climate strategy based on four core principles:

- **CLIMATE GOVERNANCE:** The implementation of strong climate governance within LFDE is based on:
  - Embodiment of LFDE's climate strategy by the Executive Committee and the Board of Directors
  - Training all employees of La Financière de l'Echiquier, the Executive Committee and the Board of Directors in Finance and Climate issues
  - Incorporating climate risks into the risk management of all our portfolios
  - Creating a climate committee, made up of representatives of the various internal stakeholders, responsible for steering the strategy.
- **FUND MANAGEMENT:** Our aim is to gradually align all of our investment management with the objectives of the Paris Climate Agreement to limit the overall increase in temperatures to a maximum of 2°C and achieve carbon neutrality on the European continent by:
  - Implementing an enhanced policy of excluding companies in the thermal coal industry
  - Rolling out a gradual policy of withdrawing from polluting industries and/or commitment to supporting these companies in their transition
  - Gradually incorporating climate indicators in making decisions across all our investment management activities.
- **ENGAGEMENT AND SUPPORT:** We want to help our stakeholders to take account of climate risks, in particular by means of:
  - Close engagement on the matter with the companies in which we invest.
  - Helping our clients to manage the climate risk of their investment portfolios.
  - Organising a multi-stakeholder climate seminar – clients, companies, experts and employees – to encourage the sharing of experience.
- **REPORTING:** Our aim is to gradually implement comprehensive reporting on our corporate climate strategy as well as taking account of climate risk in our funds.

Our climate strategy and our carbon policy are available in full on our website in the "Responsible Investment" section on the page "[To find out more](#)", under "LFDE Documents – General Approach".

### 3. APPROACH RELATING TO PROTECTING BIODIVERSITY

One of the objectives of our climate strategy is to take account of protection of biodiversity in our investments. The first stage consists of identifying the sectors for which biodiversity is a material issue. To do this, we have created a sector matrix, developed with the help of research available on the subject (ENCORE tool, SASB materiality grid, NGO reports, broker research, etc.). This matrix allows us to identify the level of impact of each sector on biodiversity.

We then factored protection of biodiversity into our company analysis in several ways where this represents a material issue:

. **Within ESG ANALYSIS:** First, we incorporated the theme of biodiversity into analysing companies' environmental policy by means of a specific question relating to biodiversity management.

**[ ESG INTEGRATION ] [ SUSTAINABLE CONVICTIONS ] [ IMPACT INVESTING ]** This methodology is used for all our funds managed using the ESG Incorporation, Sustainable Convictions or Impact Investment approach.

. **Within the CLIMATE MATURITY SCORE:** We then incorporated the theme of biodiversity into our Climate Maturity by LFDE methodology, which evaluates issuers' maturity in taking account of climate issues. If the company belongs to a sector with a significant impact on biodiversity, we dedicate 15% of the Climate Maturity score to the response given by the company to attenuate this impact. If the company belongs to a sector with a limited impact on biodiversity, the theme of biodiversity is not taken into account in the Climate Maturity score.

**[ IMPACT INVESTING ]** This methodology is used for our Impact fund: Echiquier Climate Impact Europe.

. **Within the SDG SCORE:** The theme of biodiversity is also incorporated into our SDG Score, concerning analysis of companies' contribution to the UN's Sustainable Development Goals (SDGs) in the analysis of products and services distributed by the company (Solutions Score) and in analysis of the responsible conduct of their activities (Initiatives Score).

**[ IMPACT INVESTING ]** This methodology is used for our Impact funds: Echiquier Climate Impact Europe and Echiquier Positive Impact Europe.

In view of the limited amount of information currently available about how this issue is taken into account by companies and the lack of maturity of existing methodologies and data, our approach to the management of this issue is part of an ongoing improvement process.

We joined the **Finance for Biodiversity Foundation** initiative in late 2020 and are committed to factoring biodiversity criteria into our analysis, measuring the impact of our investments, publishing them with full transparency and engaging with companies on the issue by 2024.

#### 4. APPROACH RELATING TO CONSIDERING ADVERSE IMPACTS

All the funds managed by La Financière de l’Echiquier incorporate elements resulting from ESG research in their portfolio construction approach in a more or less restrictive manner.

The following steps result in the application of filters within the investment process restricting the funds' investment universe.

Our approach in terms of considering adverse impacts is therefore based on two levels: (i) implementation of sector and standard exclusions, and (ii) a filter based on an ESG company rating.

##### LEVEL 1 - SECTOR AND NORMATIVE EXCLUSION FILTERS

Our **sector exclusion** policy consists of removing from our investment universes companies that generate a significant proportion of their revenues in sectors **that are considered controversial due to their adverse environmental and/or social impact**.

Furthermore, as a **standard**, we exclude **the most controversial companies** (identified by MSCI ESG Research), in particular those **guilty of violating one or more of the ten principles of the United Nations Global Compact** (apart from specific cases determined by our ethics committee).

LFDE’s **ethics committee** is also in charge of authorising (or not) investments in stocks involved in serious controversies in terms of ESG criteria.

A set of exclusions shared by all funds managed by LFDE. Additional exclusions apply to Sustainable Convictions and Impact funds.

The table below summarises the sector and standard exclusions that apply to each fund in the range<sup>2</sup>:

|                                     | EXCLUSIONS            |                       |         |                       |               |              |          |                     |              |         |      |             | UN Global Compact | Severe Controversies |   |
|-------------------------------------|-----------------------|-----------------------|---------|-----------------------|---------------|--------------|----------|---------------------|--------------|---------|------|-------------|-------------------|----------------------|---|
|                                     | Recreational Cannabis | Production of Tobacco | Tobacco | Controversial Weapons | Other Weapons | Thermal Coal | Gambling | Adult Entertainment | Fossil Fuels | Alcohol | GMOs | Life Ethics |                   |                      |   |
| <b>IMPACT INVESTING</b>             |                       |                       |         |                       |               |              |          |                     |              |         |      |             |                   |                      |   |
| Echiquier Positive Impact Europe    | ●                     | ●                     | ●       | ●                     | ●             | ●            | ●        | ●                   | ●            | ●       | ●    | ●           | ●                 | ●                    |   |
| Echiquier Climate Impact Europe     | ●                     | ●                     | ●       | ●                     | ●             | ●            | ●        | ●                   | ●            | ●       | ●    | ●           | ●                 | ●                    |   |
| <b>SUSTAINABLE CONVICTIONS</b>      |                       |                       |         |                       |               |              |          |                     |              |         |      |             |                   |                      |   |
| Echiquier Major SRI Growth Europe   | ●                     | ●                     | ●       | ●                     | ●             | ●            | ●        | ●                   | ●            |         |      |             |                   | ●                    | ● |
| Echiquier Alpha Major SRI           | ●                     | ●                     | ●       | ●                     | ●             | ●            | ●        | ●                   | ●            |         |      |             |                   | ●                    | ● |
| Echiquier Agenor SRI Mid Cap Europe | ●                     | ●                     | ●       | ●                     | ●             | ●            | ●        | ●                   | ●            |         |      |             |                   | ●                    | ● |
| Echiquier Agenor Euro SRI Mid Cap   | ●                     | ●                     | ●       | ●                     | ●             | ●            | ●        | ●                   | ●            |         |      |             |                   | ●                    | ● |
| Echiquier Credit SRI Europe         | ●                     | ●                     | ●       | ●                     | ●             | ●            | ●        | ●                   | ●            |         |      |             |                   | ●                    | ● |
| Echiquier ARTY SRI                  | ●                     | ●                     | ●       | ●                     | ●             | ●            | ●        | ●                   | ●            |         |      |             |                   | ●                    | ● |
| Echiquier Convexité SRI Europe      | ●                     | ●                     | ●       | ●                     | ●             | ●            | ●        | ●                   | ●            |         |      |             |                   | ●                    | ● |
| <b>ESG INTEGRATION</b>              |                       |                       |         |                       |               |              |          |                     |              |         |      |             |                   |                      |   |
| Equity UCITS                        | ●                     | ●                     |         | ●                     |               | ●            |          |                     |              |         |      |             |                   | ○                    | ○ |
| Multi Assets UCITS                  | ●                     | ●                     |         | ●                     |               | ●            |          |                     |              |         |      |             |                   | ○                    | ○ |
| Bonds and Convertibles Bonds UCITS  | ●                     | ●                     |         | ●                     |               | ●            |          |                     |              |         |      |             |                   | ○                    | ○ |

● Criteria applied systematically  
○ Criteria applied punctually

<sup>2</sup> The funds mentioned may not be registered in some countries.

If you have any questions, please contact your usual contact at LFDE.

## LEVEL 2 – ESG ANALYSIS FILTER

This filter consists of reducing the fund investment universe based on Environmental, Social & Governance (ESG) criteria. This process differs depending on the degree to which ESG criteria are taken into account within the funds. It is systematically based on a high coverage rate of companies with an ESG rating in the portfolio, as well as the application of a minimum ESG score.

**[ ESG INTEGRATION ]** For funds managed on the basis of an ESG Incorporation approach, La Financière de l’Echiquier’s approach for taking account of ESG criteria is based on three main commitments:

- The **ESG rating coverage rate** of stocks in the portfolio must be at least **90% at any time**.
- The **ESG performance of funds** must exceed that of their investment universe at any time.
- The **minimum ESG score** of each company in the portfolio must be **4.0/10 or higher**.

**[ SUSTAINABLE CONVICTIONS ] [ IMPACT INVESTING ]** For funds in both categories, ESG research - in particular issuers’ ESG scores - plays a particularly important role in portfolio construction:

- The **ESG rating coverage rate** of stocks in the portfolio must be at least **100% at any time for Equity funds** and **95% for Bond and Multi-Asset funds**.
- The **minimum ESG score** of each company in the portfolio must be between **5.5 and 6.5/10**, depending on the fund. This minimum threshold for ESG scores depends on the non-financial objective set for the fund, as well as the ESG quality of its investment universe.
- The **exclusion policy** and the **minimum ESG score** of the fund should allow for **the exclusion of at least 20% of its investment universe** – in keeping with the specifications of the French government’s SRI Label.

A full description of the incorporation of these filters in the fund management process is provided in our AFG-FIR Transparency Code, available on our website, in the “Responsible Investment” section of the page [“To find out more”](#), under “LFDE Documents – General Approach”.

Furthermore, for all funds, ex-ante information shall be provided to investors no later than 31 December 2022 about **taking account of the main adverse impacts** on sustainability factors by means of **various environmental and social indicators** defined by the regulator.

## 5. VOTING AND ENGAGEMENT POLICY

Voting is an integral part of La Financière de l’Echiquier's responsible investment approach, and in particular, our goal to be a responsible shareholder. In 2018, we undertook to **vote on a systematic basis for all our funds, regardless of the percentage of capital or voting rights we hold**. We therefore look closely at any resolutions that may prove unfavourable to the interests of the company or of the minority shareholders, as well as resolutions of an environmental and social nature.

In addition to this policy for voting at general meetings, La Financière de l’Echiquier has also, for a number of years, been **engaging with the companies** in which it invests. This approach takes the form of **bilateral dialogue and sharing areas of progress** with investee companies, recommendations which are followed over the long term. In addition to this individual commitment to companies, in 2019 La Financière de l’Echiquier reinforced its commitment to **collaborative engagement approaches** alongside other investors.

Each year, La Financière de l’Echiquier publishes the results of its exercising of voting rights and engagement in a dedicated report. This educational and illustrative document highlights all our shareholder dialogue efforts with companies throughout the lifecycle of our investments. It also allows us to track companies’ developments relative to the areas of progress shared with them.

This report and additional information about our voting and engagement policy are available on our website in the “Responsible Investment” section on the page [“To find out more”](#), under “Shareholder dialogue”.

### III. POLICY FOR INTEGRATING SUSTAINABILITY RISKS AND THE CONSIDERATION OF ADVERSE SUSTAINABILITY IMPACTS IN MANDATE MANAGEMENT AND ADVISORY ACTIVITIES

#### 1. ESG PREFERENCES

Within the framework of our mandate management and advisory activities, in particular for non-professional investors, this new regulation will require us to **incorporate investors' "ESG preferences" into our client approach.**

This approach consists of establishing each investor's sensitivity to non-financial concerns and consequently the weighting they want to give sustainable finance within their portfolio.

The definition of these ESG preferences will result in the determination of a non-financial profile for each investor.

#### 2. CONSEQUENCES FOR MANDATE MANAGEMENT, INVESTMENT ADVISORY AND INSURANCE ADVISORY SERVICES

As of the date of writing this policy, the regulations governing these activities have not yet defined how these "ESG preferences" should impact services offered to investors. LFDE is waiting for these regulations to establish the framework of these activities in accordance with the restrictions imposed by the new regulation.

However, as regards these activities, our management approach is based on three pillars:

- A first consisting of **La Financière de l'Echiquier funds**, most of which incorporate non-financial criteria into their management in accordance with the approach described in section 1 of paragraph II.
- A second consisting of **external funds** taken from our offering on an open architecture basis. Within this framework, LFDE's external fund selection teams incorporate the funds' sustainability policy into their analysis, using our proprietary methodology: "SRI Maturity by LFDE"
- A marginal area made up of **direct investments in securities**. Within this scope, management benefits from the approach used for funds investing directly in securities and the ESG research produced about the companies by LFDE's management teams.

In view of our advanced maturity with regard to these subjects, when the regulations come out we will without doubt be able to adapt our services to future restrictions relating to the incorporation of our clients' ESG preferences.

#### IV. REMUNERATION POLICY

In accordance with [article 5 of the SFDR](#), our management company's remuneration policy includes taking account of [sustainability risks](#) relating to our products' investment strategies.

Since 2020, the "[contribution to LFDE's responsible investment approach](#)" has been a shared objective [for all LFDE employees](#) that comes into play in determining their annual variable compensation.

Underlying quantitative or qualitative targets are set for each employee depending on their position and responsibilities. [The sustainability risks of our investments](#) are taken into account in particular in determining the variable compensation of [members of the fund management team](#), as well as [LFDE's senior executives](#). The level of these targets varies depending on the position held and the degree to which non-financial criteria are taken into account for the funds managed, particularly for fund managers.

This target is assessed on a collective and individual basis during end-of-year assessments.

A summary of the management company's compensation policy is available on our website in the section "[Regulatory Information](#)" under "Compensation".

## V. SFDR CLASSIFICATION OF FUNDS MANAGED BY LFDE

The table below summarises the categorisation of LFDE funds marketed in France in accordance with the **SFDR classification** detailed in paragraph I.

For more visibility on the non-financial approach of these funds, we also show in this matrix the **AMF categorisation relating to AMF position-recommendation DOC-2020-03**, which aims to determine whether taking account of non-financial criteria by funds is significantly engaging or not.

This information is also provided in each fund's prospectus<sup>3</sup>.

|  | SFDR - ARTICLE 9   | SFDR - ARTICLE 8  | SFDR - ARTICLE 6   |
|--|--|---|--|
| <p><b>AMF CATEGORY - 1</b></p> <p>FUNDS WITH A SIGNIFICANTLY ENGAGING EXTRA-FINANCIAL APPROACH</p> <p><u>CENTRAL</u> COMMUNICATION</p>     | <p>ECHIQUIER CLIMATE IMPACT EUROPE</p> <p>ECHIQUIER POSITIVE IMPACT EUROPE</p> | <p>ECHIQUIER AGENOR EURO SRI MID CAP</p> <p>ECHIQUIER AGENOR SRI MID CAP EUROPE</p> <p>ECHIQUIER ALPHA MAJOR SRI</p> <p>ECHIQUIER ARTY SRI</p> <p>ECHIQUIER CONVEXITE SRI EUROPE</p> <p>ECHIQUIER CREDIT SRI EUROPE</p> <p>ECHIQUIER MAJOR SRI GROWTH EUROPE</p> <p>----</p> <p>ECHIQUIER AGENOR MID CAP EUROPE FUND</p> <p>ECHIQUIER ARTY FUND</p> <p>ECHIQUIER MAJOR SRI GROWTH EUROPE FUND</p> |  |
| <p><b>AMF CATEGORY - 2</b></p> <p>FUNDS WITH A NON SIGNIFICANTLY ENGAGING EXTRA-FINANCIAL APPROACH</p> <p><u>REDUCED</u> COMMUNICATION</p> |  |   | <p>ECHIQUIER AGRESSOR</p> <p>ECHIQUIER ALTAROCCA HYBRID BONDS</p> <p>ECHIQUIER ENTREPRENEURS</p> <p>ECHIQUIER PATRIMOINE</p> <p>ECHIQUIER SHORT TERM CREDIT</p> <p>ECHIQUIER VALUE EURO</p> <p>ECHIQUIER WORLD EQUITY GROWTH</p> <p>ECHIQUIER WORLD NEXT LEADERS</p> <p>----</p> <p>ECHIQUIER ARTIFICIAL INTELLIGENCE</p> <p>ECHIQUIER ENTREPRENEURS SMALL CAP EUROPE</p> <p>ECHIQUIER WORLD EQUITY GROWTH FUND</p> <p>----</p> <p>ECHIQUIER ALTAROCCA RENDEMENT 2023</p> <p>ECHIQUIER EXCELSIOR</p> <p>ECHIQUIER HEALTH</p> <p>ECHIQUIER LUXURY</p> <p>ECHIQUIER ROBOTICS</p> |
| <p><b>AMF CATEGORY - 3</b></p> <p>FUNDS WITH NO EXTRA-FINANCIAL APPROACH</p> <p><u>NO</u> COMMUNICATION</p>                                |  |   | <p>ECHIQUIER QME</p> <p>----</p> <p>ECHIQUIER ALLOCATION FLEXIBLE</p> <p>ECHIQUIER ALPHA EARNINGS</p> <p>ECHIQUIER AVENIR</p> <p>ECHIQUIER AVENIR DYNAMIQUE</p> <p>ECHIQUIER QME GLOBAL</p> <p>ECHIQUIER SOVEREIGN ALLOCATION</p> <p>PATRIMOINE OPPORTUNITE</p> <p>PATRIMOINE REACTIF</p>  |

SICAV ECHIQUIER IMPACT  
SICAV ECHIQUIER  
SICAV ECHIQUIER FUND  
FCP

<sup>3</sup> The funds mentioned may not be registered in some countries.

If you have any questions, please contact your usual contact at LFDE

## VI. OUR FUNDS' NON-FINANCIAL PERFORMANCE REPORTING

In addition to the classification mentioned above, the new regulation will include changes in terms of disclosure of non-financial information:

- For funds **that comply with article 8**, specific reporting will be required on the **environmental or social criteria** that the product focuses on. This initial report should be issued in the first quarter of 2022 in respect of the 2021 financial year.
- For funds **that comply with article 9**, specific reporting will be required on **the monitoring and meeting of the targets set by each fund**. This initial report should be issued in the first quarter of 2022 in respect of the 2021 financial year.

As the methodology and format of these reports was only very recently decided by the EU's implementing regulations, their operational implementation is in the process of being defined.

In addition to obligations relating to the new regulation, for many years we have incorporated non-financial elements into the monthly reports for all our funds, taking account of ESG criteria in their management. For each indicator, the performance of each fund is compared, on a weighted basis, with that of its benchmark index.

**[ ESG INTEGRATION ]** Within the framework of funds subject to ESG Incorporation, an environmental impact indicator is used and communicated monthly within each fund's monthly financial report:

- **Environmental Indicator - Carbon Footprint:** Carbon footprint in millions of euros of revenues, for scope 1 and *first tier indirect*. This indicator is used to measure the climate impact of our portfolios. As part of our climate strategy, this measurement will be extended to all of scope 3 by the end of 2021.

**[ SUSTAINABLE CONVICTIONS ] [ IMPACT INVESTING ]** In addition, for funds in both these categories, we have incorporated other impact indicators in line with the specifications of the French government's Label ISR:

- **Environmental Indicator - Carbon Footprint:** Carbon footprint in millions of euros invested, for scope 1 and *first tier indirect*. This indicator, used in addition to the carbon footprint in millions of euros of revenues, is used to measure the climate impact of our portfolios. As part of our climate strategy, this measurement will be extended to all of scope 3 by the end of 2021.
- **Governance Indicator - Proportion of women on the Board:** We analyse the proportion of women on the boards of companies in our portfolios. These figures reflect differences in legislation between countries, but also companies' commitment and pro-activeness in this area.
- **Human Rights Indicator - United Nations Global Compact:** We analyse the percentage 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 labour standards and fighting corruption. They have also adopted a process of continuous improvement of their CSR policies and commit annually to publicly reporting on their progress.

- **Social Indicator - Growth in the number of employees:** We analyse the growth in the workforce of companies in our portfolios. With this indicator, we aim to measure the job creation dynamics of investee companies compared with that of each fund's investment universe. These figures reflect both net job creations and those relating to changes in the scope of consolidation of companies linked, for example acquisitions or disposals. We are aware of the limitations of this indicator, which is not currently adjusted for changes in the scope of consolidation.

**[ IMPACT INVESTING ]** Furthermore, for our Impact fund, Echiquier Positive Impact Europe, we report on the incorporation of the UN's Sustainable Development Goals (SDGs) in the fund's management through the following criteria:

- **"UN Sustainable Development Goals" Indicator:** We measure the contribution and engagement of companies in the portfolio with regard to the SDGs. This indicator covers both social and environmental impacts and the upholding of human rights. Several indicators are used to assess this impact:
  - o Solutions Score, Initiatives Score and SDG Score - portfolio average
  - o Average revenues of companies in the portfolio making a contribution to one or more SDGs
  - o Number of companies contributing to each of the nine SDGs identified

Lastly, the Impact fund, Echiquier Climate Impact Europe, has a reporting system that also incorporates a series of environmental indicators:

- **Environmental Indicators**
  - o Top/Flop 5 of Climate Maturity scores
  - o Top/Flop 5 of stocks with the highest/lowest "temperatures"
  - o Average temperature of the portfolio
  - o Green proportion of the portfolio
  - o Average physical risk of the portfolio

We also include in our monthly reports for the three categories of products detailed various information about the ESG profile of our funds (weighted average ESG score, weighted average environmental, social and governance score, etc.).

In addition, our Impact funds also have a dedicated impact report. The report for the Echiquier Climate Impact Europe fund will be available in the first half of 2022.

Within the framework of the commitments made as part of our climate strategy, reports for all our funds will gradually be enhanced to include a series of metrics on climate risk for our portfolios: physical risks, transition risks, green proportion, etc.

The calculation methodologies, as well as full details of our current reporting process, are available in more detail in our AFG-FIR Transparency Code, accessible on our website in the "Responsible Investment" section on the page "[To find out more](#)", under "LFDE Documents – General Approach".



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