



**CLIMATE STRATEGY**

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**La Financière de  
l'Échiquier**

# Climate: hope is not a strategy

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Global CO<sub>2</sub> emissions have risen continuously by a massive 64% since 1990, with a wide range of consequences; in October 2020, the Arctic ice pack reached a historic low and one million species were at risk of extinction, etc. The figures on global warming speak volumes.

The human footprint is pushing the Earth beyond its natural limits and every year the increase in greenhouse gases releases a cascade of climatic events that are affecting our ecosystems and our lives.

As a responsible and engaged investor for 30 years, La Financière de l'Echiquier (LFDE) had already addressed climate and biodiversity issues, specifically, by committing to collaborative initiatives and launching a pioneering impact strategy intended to finance the energy transition of European companies. Given the scale of the requirements, LFDE has decided to extend its climate ambitions by defining a dedicated corporate strategy. In light of the emergency, LFDE is making the climate a priority by integrating this issue and climate risks into its business strategy. Our response will also contribute to resolving many other challenges, particularly social and material issues.

Committed to taking concrete action, we have defined a Climate Strategy that sets out areas of possibilities, provides the impetus to involve our stakeholders and heighten awareness among our clients and our industry, and sets a course: to contribute, in our way, to building a more sustainable economy and leaving a healthy planet for future generations. Because it is not a matter of fate; we can do something about it, since it is our decisions that will make the world of tomorrow, that of our children, a sustainable world.

We are convinced that the financial sector, and more specifically long-term investors, such as LFDE, have a key role to play in identifying future risks and opportunities and in helping to finance the fight against climate change. In 2020, for the first time in the post-industrial era, the world invested more in green energy than in fossil fuels, which gives cause for hope.

LFDE's Climate Strategy is both ambitious and pragmatic, and includes biodiversity issues, which we see as crucial. It is integrated within the Primonial Group, where LFDE is pioneering the implementation of climate, responsible investment and CSR related themes.

There are solutions to avert climate disaster, and they are within our grasp. We are convinced that optimism, one of LFDE's hallmarks, is also an effective force for change.

# La Financière de l'Echiquier's Climate Strategy

## Creating momentum and providing support

For 30 years, developing a long-term vision has been central to the strategy of La Financière de l'Echiquier (LFDE). A pioneer in responsible investment and impact investing in listed companies in France, LFDE decided, at the end of 2020, to enhance its commitments, by making climate issues a priority, with the acceleration of the transition to **a low-carbon economy** as a **strategic objective**.

At a time when the climate emergency requires companies to review their business models, we are paying greater attention to governance, which is central to our ESG analysis procedures, and **the climate governance of our invested companies**, in particular.

## The ambition and tools to fight climate change

The Climate Strategy adopted by LFDE'S Board of Directors applies not only to our investment processes but also to all of our company's business lines. Its practical implementation includes educational and training aspects in order to raise awareness among all of our stakeholders, as well as a range of actions intended to support our clients and our invested companies in their transition. The gradual roll-out of tools for measuring and managing our investments, intended to combat climate change, will serve **our ambition: to become an expert in climate change issues to better support companies and clients**.

Our strategy is based on **setting an example**. It is transparent, based on robust governance capable of addressing the issues at stake, and implemented by ambassadorial teams.

Co-created with I-Care & Consult<sup>1</sup>, LFDE's Climate Strategy ties in with the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD) to which we have adhered since 2020. Our strategy is based on nine major commitments; its implementation will be monitored, and an annual report produced.

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<sup>1</sup> I Care & Consult, the first independent consulting and innovation company for the environmental transition, assists companies, investors and public players in the success of their "environmental transition".  
For more information: <https://www.i-care-consult.com/>

# La Financière de l'Echiquier's climate commitments

## COMMITMENT NO. 1 | STRENGTHENING LFDE's CLIMATE GOVERNANCE

In order to integrate climate issues into its strategic decisions, LFDE is taking another significant step by establishing climate governance practices at the highest level. This step is crucial in optimising our impact and disseminating these issues to all teams, business lines and decision-making. The **asset management and risk management teams** are particularly active in integrating climate issues into our investment decisions.

- The members of the **Board of Directors** and the **Executive Committee**, who oversee the operational implementation of the Climate Strategy, are specially trained in finance-climate issues.
- The **asset management department** follows the implementation of this strategy as regards our investments, and feeds back to the Executive Committee.
- The **marketing and communication department** oversees the implementation of the CSR Climate Strategy, and feeds back to the Executive Committee.
- A cross-department **Climate Committee** representing all the business lines is tasked with monitoring progress of work in these areas.
- The **Risks Committee** now includes climate issues in the overall management of our investment risks.

## COMMITMENT NO. 2 | SETTING AN EXAMPLE

As a responsible investor, we make high demands on the companies in which we invest with regard to ESG practices. To ensure consistency, we apply the same high standards internally and want to make our employees front-line climate ambassadors:

- By ensuring their involvement over the long term, by **offering regular educational training**, and providing internal communication tools.
- By **ensuring that all new employees are committed** to this strategy, in particular, those joining the asset management team.
- By expanding the **climate component of our CSR policy**, implemented since 2017, with company-wide actions intended to reduce our carbon footprint directly within our organisation.

### COMMITMENT NO. 3 | MOBILISING COMPANIES FOR THE TRANSITION

The role of companies is key to achieving carbon neutrality. As active investors, committed to engaging with companies, we support them in their transition through our voting and engagement policies and we will monitor their efforts over time, while not ruling out divestment if our actions fail. In this context:

- Since 2021, we have enhanced our engagement approach with a **specific engagement policy** dedicated to climate issues:
  - The Climate priorities are formalised in LFDE's **voting policy** – variable component of executive compensation, climate resolutions, etc. – and monitored annually.
  - Climate issues are included in the **dialogue with companies** in the sectors with the highest emission levels, with priority given to establishing climate governance.
  - LFDE's increased involvement in **collaborative engagement initiatives** such as Climate Action 100+ and the Finance for Biodiversity Pledge.
  - We have stepped up our **engagement with other French financial centre players** that contribute towards responsible investing – regulators, non-financial rating agencies, proxy voting providers, etc.
  - **Training and experience sharing** will be offered to the executives of invested companies at a **dedicated Climate seminar**.
  - The **results of these commitments** will be monitored over time and addressed annually in our dedicated reports.
- For companies **operating in sectors regarded as material in the transition to a green economy**, and whose share of the carbon footprint of assets held is significant, LFDE **will strengthen its climate analysis and its engagement approach**. We will consider divestment if this approach fails.
- In addition, LFDE is increasing, in 2021, the requirements it imposes on the sectors with the highest emission levels, including non-conventional fossil fuels, and is committed to a **total thermal coal phase-out by 2030** on the basis of the work of the NGO Urgewald's [Global Coal Exit List](#).<sup>2</sup>
- In order to respond to the need to act transparently, LFDE undertakes to report annually on its remaining exposure, **measuring the brown share** across all of its portfolios.

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<sup>2</sup> LFDE's coal policy is available in full on our website: [Coal Policy LFDE](#)

## COMMITMENT NO. 4 | SUPPORTING OUR CLIENTS TO DEVELOP THEIR UNDERSTANDING OF CLIMATE ISSUES

LFDE will provide support to both invested companies and clients. Client recognition of these issues is one of our key levers for driving impact. In this regard, LFDE intends to be reactive:

- By sharing the Climate expertise that we develop and by **raising awareness among our clients** about climate change issues.
- By helping them integrate climate considerations into their activities, by giving them access to **educational training**, such as the LFDE “School of SRI”, and by sharing the expertise and best practices of our teams and external experts at a **dedicated Climate seminar**.
- By informing them in a **transparent way** about climate performance and risks, as well as about the contribution to the transition, and the financial strategies in which they are invested, on the basis of a series of indicators.

## COMMITMENT NO. 5 | MEASURING THE COMPATIBILITY OF OUR INVESTMENTS

Measuring the climate performance and contribution to the transition of our investments is a key step in our strategy. We are aware of methodological differences and we therefore ensure that we carefully select those that are, in our opinion, the most relevant, within scopes which will be gradually enlarged. We will be open and transparent about their limits. This will be measured:

- By extending the **measurement of the carbon footprint** – all scopes – to all of the portfolios from 2021.
- By analysing the **positioning of the portfolios with regard to the pathways required** to limit temperature increases. The analysis of the 2°C alignment of SRI funds is scheduled for the end of 2021, and we plan to align all our portfolios by the end of 2022.
- By extending the **measurement of the share of green activities**, aligned with the European taxonomy, to all the portfolios by the end of 2021, to be in a position to disclose it by 2022.
- By analysing the dependency and impact of our investments on biodiversity and by disclosing the **biodiversity footprint** of all of our funds, by the end of 2023 at the latest.

## COMMITMENT NO. 6 | INTEGRATING CLIMATE-RELATED RISKS INTO OUR INVESTMENTS

To protect the assets of our clients against climate-related risks, and in accordance with the TCFD's recommendations, LFDE intends to monitor and **control its exposure to such risks**:

- By reinforcing the mainstreaming of climate issues in its **risk management policy**, processes and tools, in order to take into consideration, the recommendations of European and national supervisors.
- By undertaking an initial **measurement of the physical and transition risks** of the SRI funds by the end of 2021, then of the other portfolios by the end of 2022 at the latest.
- By integrating, insofar as possible, the results into **investment decision-making tools** for the asset and risk management teams by the end of 2021.

## COMMITMENT NO. 7 | GIVING GREATER WEIGHT TO CLIMATE ISSUES IN NON-FINANCIAL ANALYSIS

LFDE's climate ambitions imply strengthening our proprietary methodologies. This new step, made possible by the increasing accessibility of corporate climate data, will enable us to gain in maturity on these issues. We will give greater weight to climate issues in our analyses:

- By strengthening the **climate component** of our proprietary ESG analysis methodology and our methodology for analysing the contribution of companies to the United Nations Sustainable Development Goals.
- By reviewing, by 2022, the climate profile of the companies in the sectors regarded as the most material, thanks to the **Climate Maturity Score** developed by LFDE, and its three pillars: climate governance and commitments, and just transition.

## COMMITMENT NO. 8 | DEVELOPING INVESTMENTS THAT CONTRIBUTE TO THE TRANSITION

In order to expand our Climate expertise, we need to integrate all of these issues into our asset management as a whole and implement investment strategies that help meet the daunting challenges of reducing the rise in temperature to 2°C and achieving carbon neutrality:

- By proposing **dedicated innovative solutions** for the low-carbon transition such as Echiquier Climate Impact Europe, or other products integrating climate considerations into their asset selection.
- By consolidating the **climate component** of the SRI funds, by disclosing their climate performance and their contribution to the low-carbon transition by the end of 2021. These funds have also made a commitment, from 2021 onwards, to achieve a better carbon footprint (measured per million euro of revenue) than their benchmark indices.
- By extending our **carbon neutrality** commitment for part of LFDE's assets by 2050, with an intermediate carbon footprint reduction target in 2030. These commitments are in accordance with our adherence to the **Net Zero Asset Managers Initiative**.

## COMMITMENT NO. 9 | LOOKING BEYOND CLIMATE

The climate issue must be viewed in a wider context, given the inter-linkage between it and other environmental and social issues, such as biodiversity. We therefore want to develop a comprehensive understanding of our impact:

- By formalising in 2021 LFDE's **impact doctrine**, the framework for our impact investments, with the aim of maximising the impact of our funds and our investments. This will be aligned with the definition of listed impact investing derived from work by the French Responsible Investment Forum (*Forum pour l'Investissement Responsable* – FIR) and France Invest, in which we actively participated.
- Because over and above the urgent need to combat climate change, it is essential to preserve **biodiversity**, to ensure a **just transition** and **inclusive growth**, LFDE is committed to taking account of the inter-linkage between environmental and social issues. For example, we have joined the Finance for Biodiversity Pledge in order to collaborate with other financial institutions on the initiatives taken to reverse the depletion of natural capital, and we have integrated all of these concepts into our Climate Maturity by LFDE methodology.

## Conclusion

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### Nine commitments to change perspective

The climate crisis thus calls for **a change of perspective**. It reveals the need to rework our models, which represents a significant, but vital and exciting challenge. As a committed and determined investor, LFDE intends to be a force for promoting innovation to help meet the climate challenges.

In a transparent, step-by-step way, LFDE's Climate Strategy sets a course, covers several dimensions, creates new tools and develops expertise that we want to share with companies, our clients and our employees. Although there is still a long way to go, we will focus all our energy on achieving our goals, by bringing on board all of our stakeholders.

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### LFDE's Climate Strategy in a nutshell

#### Ambition, Transparency & Pragmatism: LFDE's Climate Commitments

Nine commitments to change perspective.

**Governance**, to establish true climate governance at LFDE, at the highest level.

**Integration** of climate issues in all the portfolios, and within all our business lines and decision-making.

**Engagement**, to mobilise alongside us, by strengthening our voting policy and integrating climate issues into our engagement approach.

**Engagement** again, to accelerate the transition, by intensifying our requirements for the sectors with the highest emission levels as part of a strict coal policy.

**Education**, to heighten awareness among all our stakeholders and bring them on board.

**Involving** clients in the transition of how their savings are managed, by implementing educational initiatives, including specific support for the integration of climate issues.

**Sharing** with companies and our clients at an annual **Climate seminar**, which brings together climate experts and is intended to promote the exchange of best practice.

**Transparency**, of course, for greater clarity and to report on the results achieved.

## APPENDIX: LFDE'S CLIMATE REPORTING SCHEDULE

METRICS	SRI FUNDS	LFDE ACTIVE FUNDS
<b>CLIMATE PERFORMANCE</b>		
x Carbon footprint <i>(including scope 3)</i>	2021	2021
x Biodiversity footprint	2023	2023
<b>CLIMATE RISKS</b>		
x Transition risk	2021	2022
x Physical risk	2021	2022
<b>CONTRIBUTION TO TRANSITION</b>		
x Green share	2021	2022
x Brown share	2021	2021
x 2°C Alignment	2021	2022



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