



TRANSPARENCY CODE – EQUITY EXPERTISE – LA FRANÇAISE SYSTEMATIC ASSET MANAGEMENT GMBH

August 2021



LA FRANÇAISE
investing together

European SRI Transparency Code

The European SRI Transparency Code (the Code) focuses on SRI funds distributed publicly in Europe and is designed to cover a range of assets classes, such as equity and fixed income.

All information pertaining to the European SRI Transparency Code can be found at the following website: www.eurosif.org. The Code comes with a Guidance Manual for fund managers on how to best use and respond to the Code. The present version of the Code was approved by the Board of Eurosif in February 2018.

REVISION OF THE CODE

In 2017 the Code was updated to better reflect the continuing evolution of the European SRI market. A Working Group was set up to facilitate revision of the Code in line with the latest developments in the industry and in view of the latest work carried out by experts at the European and global level.

Applications to sign up to the Code will now be in line with key elements of the recommendations made by the Task Force on Climate-related Financial Disclosures (TCFD), Article 173 of the French TECV Act and the latest recommendations made by the High-Level Group of Experts on Sustainable Finance (HLEG) in its final report published in January 2018. Questions that are specifically designed to reflect those recommendations/legislation are indicated in the Code with footnotes.

TWO KEY MOTIVATIONS UNDERPIN THIS CODE

1. The opportunity for retail SRI funds to provide clarification to investors and other stakeholders about their SRI approach in an easily accessible and comparable format.
2. Proactive strengthening of self-regulation to contribute to the development and promotion of SRI funds by setting up a common framework for transparency best practices.

GUIDING PRINCIPLE

Signatories to the Code should be open and honest and should disclose accurate, adequate and timely information to enable stakeholders, especially consumers, to understand the ESG policies and practices of the fund.

COMMITMENTS BY SIGNATORIES

- The order and exact wording of the questions should be followed;
- Responses should be informative and clear, and the resources and methodologies used should be described in as much detail and as precisely as possible;
- Funds should report data in the currency that they use for other reporting purposes;
- Reasons preventing the fund from providing all or part of the information to a given question should be clearly stated and, in such cases, signatories should state when they will be able to answer the question;
- Responses should be updated at least on an annual basis and should have a precise publication date;
- Responses to the Code should be easily accessible from the website of the fund and/or of the fund manager. In any case, signatories should make it clear where to find the information required by the Code;
- Signatories are solely responsible for the answers to the questions, and should state this in their response.

Statement of Commitment

Sustainable and Responsible Investing is an essential part of the strategic positioning and behaviour of La Française. We have been involved in SRI since 2008 and welcome the European SRI Transparency Code.

This is our 12th statement of commitment and covers the period August 2021 to July 2022. Our full response to the European SRI Transparency Code can be accessed below and is available in the annual report of the retail funds and on our website www.la-francaise.com.

Compliance with the Transparency Code

La Française Asset Management is committed to transparency, and we believe that we are as transparent as possible given the regulatory and competitive environments that exist in the countries in which we operate. La Française Asset Management meets the full recommendations of the European SRI Transparency Code.

September 15th, 2021

Eurosif classification of Sustainable and Responsible Investment¹ strategies

Sustainability Themed Investment: investment in themes or assets linked to the development of sustainability. Thematic funds focus on specific or multiple issues related to ESG. Sustainability Themed Investments inherently contribute to addressing social and/or environmental challenges, such as climate change, eco-efficiency, and health. Funds are required to perform an ESG analysis or screening of investments in order to come under this category.

Best-in-Class Investment Selection: approach according to which leading or best-performing investments within a universe, category or class are selected or weighted based on ESG criteria. This approach involves the selection or weighting of the best-performing or most improved companies or assets as identified by ESG analysis within a defined investment universe. This approach includes best-in-class, best-in-universe and best-effort.

Norms-Based Screening: screening of investments according to their compliance with international standards and norms. This approach involves the screening of investments based on international norms or combinations of norms covering ESG factors. International norms on ESG are those defined by international bodies, such as the United Nations (UN).

Exclusion of Holdings from Investment Universe: an approach that excludes specific investments or classes of investment from the investible universe, such as companies, sectors or countries. This approach systematically excludes companies, sectors or countries from the permissible investment universe if they are involved in certain activities based on specific criteria. Common criteria include weapons, pornography, tobacco and animal testing. Exclusions can be imposed at the individual fund or mandate level, but also increasingly at the asset manager or asset owner level, across the entire product range of assets. This approach is also referred to as ethical or values-based exclusion, as exclusion criteria are typically based on the choices made by asset managers or asset owners.

Integration of ESG Factors into Financial Analysis: the explicit inclusion by asset managers of ESG risks and opportunities in traditional financial analysis and investment decisions based on a systematic process and appropriate research sources. This category covers explicit consideration of ESG factors alongside financial factors in the mainstream analysis of investments. The integration process focuses

¹ Sustainable and responsible investment ("SRI") is a long-term oriented investment approach which integrates ESG factors in the research, analysis and selection process of securities within an investment portfolio. It combines fundamental analysis and engagement with an evaluation of ESG factors in order to better capture long-term returns for investors and to benefit society by influencing the behaviour of companies. Ref. Eurosif 2016

on the potential impact of ESG issues on company financials (positive and negative), which in turn may affect the investment decision.

Engagement and Voting on Sustainability Matters: engagement activities and active ownership through voting of shares and engagement with companies on ESG matters. This is a long-term process that seeks to influence behaviour or increase disclosure. Engagement and voting on corporate governance are necessary, but are not sufficient in themselves for inclusion in this category.

Impact Investing: impact Investments are investments in companies, organisations and funds with the intention of generating a social and environmental impact alongside a financial return. Impact investments can be made in both emerging and developed markets and target a range of returns from below market-to-market rate, depending upon the circumstances². Investments are often project specific and distinct from philanthropy, as the investor retains ownership of the asset and expects a positive financial return. Impact investing includes microfinance, community investing, social business/entrepreneurship funds and French fonds solidaires.

Disclaimer accompanying the European SRI Transparency Logo:



The European SRI Transparency logo signifies that La Française Asset Management commits to provide accurate, adequate and timely information to enable stakeholders, in particular consumers, to understand the Socially Responsible Investment (SRI) policies and practices relating to the fund.

Detailed information about the European SRI Transparency Guidelines can be found on www.eurosif.org, and information of the SRI policies and practices of the La Française Systematic European Equities can be found at: <https://www.la-francaise.com/en/who-we-are/our-expertise/sri-philosophy/>.

The Transparency Guidelines are managed by Eurosif, an independent organisation. The European SRI Transparency Logo reflects the fund manager's commitment as detailed above and should not be taken as an endorsement of any particular company, organisation or individual.

² Global Impact Investing Network (GIIN), "What is Impact Investing?", <http://www.thegiin.org/cgibin/iowa/investing/index.html>, 2012

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1. LIST OF FUNDS COVERED BY THE CODE

This Transparency Code applies to the following funds:

- La Française Systematic European Equities

Name of the fund(s): La Française Systematic European Equities					
Dominant/preferred SRI strategy (Please choose a maximum of 2 strategies)	Asset class	Exclusions standards and norms	Fund capital as at 31 December	Other labels	Links to relevant documents
<input checked="" type="checkbox"/> Best-in-Class Investment section <input type="checkbox"/> Engagement & Voting <input type="checkbox"/> ESG Integration <input type="checkbox"/> Exclusions <input checked="" type="checkbox"/> Impact Investing <input type="checkbox"/> Norms-Based Screening <input type="checkbox"/> Leading to exclusions <input type="checkbox"/> Leading to risk management analysis/engagement <input type="checkbox"/> Sustainability Themed	Passively managed <input type="checkbox"/> Passive investing – core benchmark: specify the index tracking <input checked="" type="checkbox"/> Passive investing – ESG/SRI benchmark: specify the index tracking Actively managed <input checked="" type="checkbox"/> Shares in a euro area country <input checked="" type="checkbox"/> Shares in an EU country <input type="checkbox"/> International shares <input type="checkbox"/> Bonds and other debt securities denominated in euro <input type="checkbox"/> International bonds and other debt securities <input type="checkbox"/> Monetary assets <input type="checkbox"/> Short-term monetary assets <input type="checkbox"/> Structured funds	<input checked="" type="checkbox"/> Controversial weapons <input type="checkbox"/> Alcohol <input checked="" type="checkbox"/> Tobacco <input checked="" type="checkbox"/> Arms <input checked="" type="checkbox"/> Nuclear power <input checked="" type="checkbox"/> Human rights <input type="checkbox"/> Labour rights <input type="checkbox"/> Gambling <input type="checkbox"/> Porno-graphy <input type="checkbox"/> Animal testing <input type="checkbox"/> Conflict minerals <input type="checkbox"/> Biodiversity <input type="checkbox"/> Deforestation <input checked="" type="checkbox"/> CO2 intensive (including coal) <input type="checkbox"/> Genetic engineering <input type="checkbox"/> Other (please specify) <input checked="" type="checkbox"/> Global Compact <input type="checkbox"/> OECD Guidelines for MNCs <input type="checkbox"/> ILO Conventions <input type="checkbox"/> Other (please specify)	217,5 M€	<input type="checkbox"/> French SRI label <input type="checkbox"/> French TEEC label <input type="checkbox"/> French CIES label <input type="checkbox"/> Luxflag Label <input type="checkbox"/> FNG Label <input type="checkbox"/> Austrian Ecolabel <input type="checkbox"/> Other (please specify)	https://www.la-francaise-systemic-am.com/produkt-e/aktienfonds/la-francaise-systemic-european-equities-r.html

2. GENERAL INFORMATION ABOUT THE FUND MANAGEMENT COMPANY

2.1. Name of the fund management company that manages the applicant fund(s)

The management company in charge of the funds to which this code applies is **La Française Systematic Asset Management GmbH (LFSAM)**.

La Française Systematic Asset Management GmbH

Neue Mainzer Straße 80, 60311 Frankfurt am Main, GERMANY

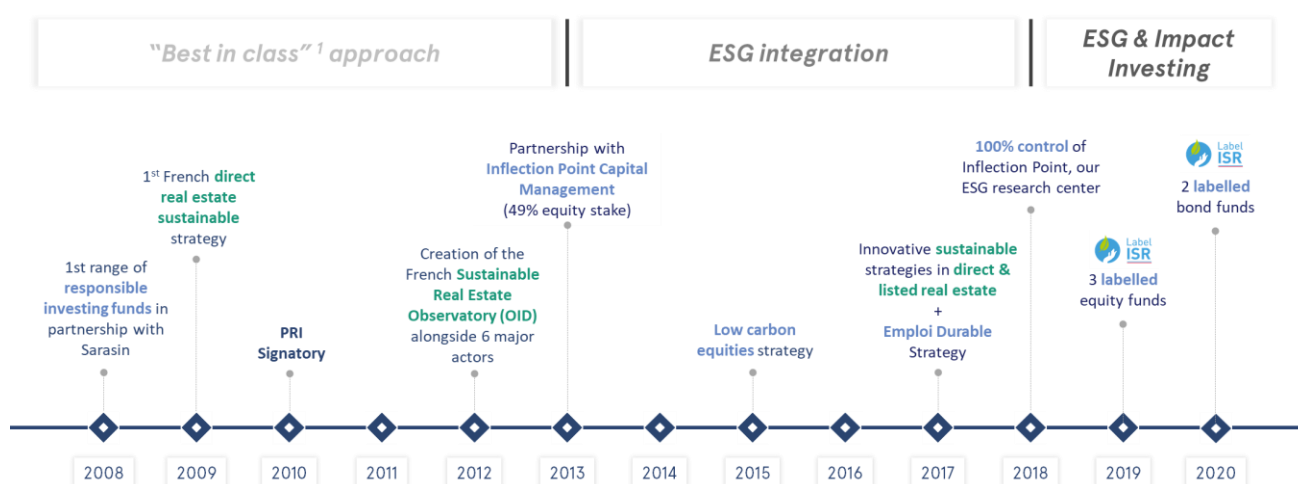
Website: <https://www.la-francaise-systematic-am.com>

Contact: Daniel Dertscheny, ddertscheny@la-francaise.com, phone: 00496997574313

2.2. What are the company's track record and principles when it comes to integrating SRI into its processes?

La Française Systematic Asset Management's approach is part of the La Française Group's Corporate Social Responsibility (CSR)³ policy.

La Française's responsible investment approach dates back to 2008. From an outsourced approach, La Française has gradually evolved towards the integration of resources and skills and the expansion of the scope of responsible investment to various asset classes.



³ Selection of the best performing companies with regards to a specific ESG factor, e.g. the companies' overall ESG score, in each sector of a given asset class

In October 2010, to strengthen its commitment, La Française signed the PRI (Principles for Responsible Investment)⁴.

The application of these principles has resulted in the development and continuous improvement of an investment process and resources dedicated to the SRI management of the group, including an annually updated CSR policy.

³ La Française Responsible Investment Policy : <https://www.la-francaise.com/fileadmin/docs/CharteInvestissementResponsableLaFrancaiseEN.pdf>

⁴ La Française 2019 PRI Public Transparency Report: <https://reporting.unpri.org/surveys/PRI-reporting-framework-2019/223DC7AD-D59B-4A23-9443-6737A21CD729/79894dbc337a40828d895f9402aa63de/html/2/?lang=en&a=1>

The definition of SRI is multiple and always evolving: exclusion, Best In Class, thematic, etc. La Française has deployed a proprietary version of Responsible Investment (RI): more demanding than just taking into account traditional financial and extra-financial criteria based on the three ESG (Environmental, Social and Governance) factors, the strategy integrates a measure of sustainability by assessing the capacity of companies to adapt and innovate.

In this way, La Française's philosophy enables the selection of companies that are best suited to develop in a constantly changing world and that have the will to implement a genuine sustainable development policy.

La Française places the issue and the satisfaction of its customers at the heart of its concerns as institutional investors, partners, private customers, distribution networks in France and internationally.

La Française has been developing a corporate culture for many years around three major themes: entrepreneurship, innovation and the spirit of openness, and sharing the values of proximity, excellence, responsibility and engagement.

The La Française Group affirms its CSR through various actions affecting both its internal operations and its third-party asset management. Like the companies in the sector, the most significant potential impact is in our portfolio management activity. Nevertheless, La Française strives to apply to itself the same standards that it seeks in its investments: the integration of Environment, Social and Governance factors while participating in sustainable actions on behalf of all internal and external stakeholders.

The Group's CSR is therefore structured around various types of actions:

- **Actions for the environment:** carbon footprint, resource management and best practices
- **Social actions:** Promoting diversity and professional equality and well-being at work
- **Governance:** sharing the fruits of expansion
- **Sustainable and socially responsible actions:** through the Group's commitment to sustainable actions and solidarity initiatives and support for employees to engage in humanitarian or civic causes.

You will find further information on our approach to sustainable and responsible investing on our website.

2.3. How does the company formalise its sustainable investment process?

La Française has formalized its approach as a responsible investor by publishing its Responsible Investment Charter, its voting policy and is in the process of drafting its engagement policy.

Responsible Investment Policy

Since July 2018, La Française publishes its Responsible Investment (RI) Policy, document of reference for the Group's practices in terms of the integration of environmental, social and governance factors (ESG) into its management activity for third parties⁵.

La Française Group is convinced that ESG factors significantly affect the financial performance of investment assets, both in terms of profitability and risk, and that this influence continues to strengthen. This conviction is supported by the increasing number of academic works that deal with this issue and confirm it. The perceived antagonism between economic performance and financial profitability versus sustainability and social responsibility is no longer apt. Responsible behaviours for sustainable finance are synonymous with flexibility, responsiveness, innovation and therefore performance and profitability. In fact, the question is not why to integrate ESG factors into investment processes, but rather under what circumstances should ESG factors be ignored.

Our Group is also convinced that climate change is a structuring element of the economic and social future and that the society of tomorrow will be based on a low-carbon economy. As such, it is important and urgent to take into account the climate in investment decisions. The risks and opportunities associated with climate change, risks and opportunities of transition or physical risks, are likely to affect all the activities and the financial performances of the assets, whatever the sectors and the classes of assets. Not only is there no opposition between climate performance and financial performance, but more and more scientific studies show the emergence of a carbon factor influencing the financial markets. The issue of biodiversity is also a structuring environmental element to which our Group is sensitive.

In practice, La Française Group has developed a proprietary version of RI that combines financial, strategic and ESG factors at all levels of asset management and without hierarchy.

The sustainable research team located in London, UK is the RI research and expertise centre of La Française group, and responsible for the methodology and calculation of ESG scores, as well as the determination of strategic factors. This expertise is disseminated in all the Group's investment divisions.

Voting policy

La Française AM has formalised a voting policy⁶ based on Institutional Shareholders Services (ISS) electronic voting tool: ISS Proxy Voting. This tool allow us to exercise voting rights every companies in portfolio.

Since 2014, the Group has adopted the ISS Sustainability Policy⁷ which best corresponds to its approach, convictions and commitments as a signatory of the PRI. However, it was deemed essential to be able to express its views on certain sensitive and potentially contentious issues. The Group has therefore set up alerts on predefined types of resolutions so that it can express its point of view and thus allow, if necessary, to vote differently from the ISS recommendation.

Finally, in 2017, La Française group adopted a Custom Policy in line with its commitments. This policy is updated on a yearly basis. It is particularly in favour of the climate and it covers :

⁵ La Française Responsible Investment Policy:

<https://www.la-francaise.com/fileadmin/docs/CharteInvestissementResponsableLaFrancaise2018EN.pdf>

⁶ La Française AM voting policy : <https://www.la-francaise.com/en/regulatory-information/>

⁷ www.issgovernance.com/file/policy/active/specialty/Sustainability-International-Voting-Guidelines.pdf

1. Climate change: Vote against the approval of the financial statements for companies not reporting to CDP.
2. Diversity: Vote against the election or re-election of any male director if, after the election, the Board will not include a minimum of 25% of women.
3. Overboarding: Vote against the election or re-election of a non-executive director if, after the election, the total count of his or her mandates is 5 or above.
4. Remuneration: Vote against the remuneration report or remuneration policy if there are no executive shareholding guidelines/requirements for the CEO.

Engagement

In its role as an asset manager, La Française believes that engagement is one of the key components of its Responsible Investment policy. We apply this policy when selecting companies, during systematic voting at General Meetings and, last but not least, through the engagement process undertaken with our issuers.

The Group has an engagement policy and publishes an annual report on its engagement policy.

The Group practices individual engagement with companies on SRI / ESG issues. Analysts of the La Française Sustainable Research team and portfolio managers engage in a constructive dialogue with the listed companies they meet and maintain an active dialogue with. The topics vary according to the elements for which we lack information and that we consider essential for the strategy and the business model of the company.

La Française participates in collaborative engagement initiatives. The Group has thus joined some collaborative engagement initiatives, notably through the PRI Collaboration Platform around two themes that we consider essential: climate change (Climate Action 100+) and human capital (Workforce Disclosure Initiative).

2.4. How are ESG risks and opportunities – including those linked to climate change – understood/taken into account by company?⁸

Responsible behaviour in the realm of sustainable finance is synonymous with flexibility, responsiveness and innovation. Our Group firmly believes that climate change is a key issue that will shape the future both economically and socially. Moreover, we are convinced that a low-carbon economy will be an integral part of the society of tomorrow. As such, it is vitally important to take the climate into account when making investment decisions. The risks and opportunities associated with climate change, in terms of the transition and physical risks, are likely to affect all activities, as well as the financial performance of assets regardless of sectors and asset classes. Ideally, we do not want to exclude sectors, but work on the principle of a progress-oriented approach. To this end, we use strategic analysis, in particular by measuring each company's ability to adapt and innovate. These capacities are key to coping with the profound changes impacting the global economy, which make the integration of ESG factors particularly necessary.

We rely upon a combination of the following elements:

- a requirement concerning the results of the ESG (and therefore climate) analysis when selecting our investments and
- an engagement, ideally collaborative, with regard to the climate.

⁸ Reference to Article 173 of the French TECV Act and the TCFD recommendations (risks and opportunities section)

Pre-investment analyses and our knowledge of invested companies allow us to manage both controversy and reputational risk, relying on our in-house expertise centre and having the ability to analyse and take into account events (controversies) when they occur.

Our policy as regards of the risks and opportunities associated with climate change is characterised in the philosophy adopted for the management of funds in the “Carbon Impact” range. In essence, we seek to promote energy transition rather than exclude entire sectors, which places particular demands on us when selecting companies operating in the most carbon-intensive sectors; it also drives us to discover new stakeholders in the low-carbon economy.

Convinced of the need to integrate ESG & climate factors into investment processes and the recognition that climate is a key issue for our companies and therefore our investments, the Group has developed a range of investment products to meet the challenge of the energy transition and the change of society model towards a lower-carbon footprint society.

The development of a “Carbon Impact” range, focused on climate change, in transferable securities

La Française group's first climate change-based equity fund was launched in June 2015, ahead of the COP 21. This fund, called La Française Lux Inflection Point Carbon Impact Global, aims to strike a balance between the reduction of carbon emissions, on the one hand, by investing in issuing companies in rapid transition and companies offering solutions (in particular technological solutions) and, on the other hand, by avoiding emissions through investments in renewable energies. A similar equity strategy focusing on the euro zone was launched in 2018.

The La Française Carbon Impact 2026 bond fund was launched in 2019 and the La Française Obligations Carbon Impact bond fund was transformed in 2020 using the same philosophy of a transition to a low-carbon economy, but with certain adaptations.

La Française publishes a report on its Responsible and Climatic Strategy⁹ on a yearly basis.

2.5. How many employees are directly involved in the company's sustainable investment activity?

Sustainability is embedded at every organisational level within La Française group.

Among the group's Management Board, the Corporate Secretary (Pascale Auclair) is responsible for Sustainable Investment and Research. She is one of the main spokespeople on Responsible Investment and she is responsible for the Group's cross-disciplinary communication on asset allocation and research.

The group's Global Head of Sustainable Investing (Laurent Jacquier-Laforge) is in charge of coordinating ESG policies across all asset classes (equities, fixed income, real estate, etc.).

Among La Française AM's investment teams, 7 portfolio managers are in charge of Responsible Investment strategies: 5 equity portfolio managers and 2 credit portfolio managers.

Portfolio manager works with 6 ESG-Climate analysts who provide them with research, analysis and tools. The team is headed by Roland Rott, CFA, PhD, Managing Director and organised in two sub-teams:

⁹ La Française Responsible and Climatic Strategy 2019 report :
https://www.la-francaise.com/fileadmin/docs/Publications/Article_173_LTE_La_Francaise_2019_v_reglementaire.pdf

- Sustainable investment analysts who focus on fundamental ESG-Climate research which include the Carbon Impact research model.
- Data analysts who develop and maintain the proprietary quantitative in-house ESG-Climate model and the proprietary estimation model for carbon data based on CDP disclosures.

Finally, a Responsible Investment committee is organised on a quarterly basis to gather employees from every department to discuss good practices and share the last sustainable investment development at every level within the Group.

2.6. Is the company involved in any RI initiatives?

General Initiatives	Environmental/Climate Initiatives	Social Initiatives	Governance Initiatives
<input type="checkbox"/> ECCR – Ecumenical Council for Corporate Responsibility <input type="checkbox"/> EFAMA RI WG <input type="checkbox"/> European Commission's High-Level Expert Group on Sustainable Finance <input type="checkbox"/> ICCR – Interfaith Center on Corporate Responsibility <input checked="" type="checkbox"/> National Asset Manager Association (RI Group) <input checked="" type="checkbox"/> PRI - Principles For Responsible Investment <input checked="" type="checkbox"/> SIFs - Sustainable Investment Fora <input type="checkbox"/> Other (please specify)	<input checked="" type="checkbox"/> CDP – Carbon Disclosure Project (please specify carbon, forest, water etc.) <input type="checkbox"/> Climate Bond Initiative <input checked="" type="checkbox"/> Green Bond Principles <input type="checkbox"/> IIGCC – Institutional Investors Group on Climate Change <input type="checkbox"/> Montreal Carbon pledge <input type="checkbox"/> Paris Pledge for Action <input checked="" type="checkbox"/> Portfolio Decarbonization Coalition <input checked="" type="checkbox"/> Other (please specify) Climate Action 100+ UNEP FI : Board Member of the Investment Committee and member of the working group on the implementation of the TCFD Recommendations	<input type="checkbox"/> Access to Medicine Foundation <input type="checkbox"/> Access to Nutrition Foundation <input type="checkbox"/> Accord on Fire and Building Safety in Bangladesh <input checked="" type="checkbox"/> Other (please specify) Workforce Disclosure Initiative (WDI)	<input type="checkbox"/> ICGN – International Corporate Governance Network <input type="checkbox"/> Other (please specify)

2.7. What is the total number of SRI assets under the company's management?

La Française AM's total SRI AUM was of EUR 1 007 million as at 31/12/2019. SRI AUM represent approximately 7% of La Française AM's total AUM.

As at 31/12/2019 La Française AM's & La Française SAM's open ended sustainable funds are :

Equity funds :

- La Française LUX – Inflection Point Carbon Impact Global, et son nourricier CMNE
- Participation Actions Monde ;
- La Française LUX – Inflection Point Carbon Impact Euro ;
- La Française Inflection Point Actions Euro, and its feeder CMNE Participation Actions Euro ;
- La Française Inflection Point Trend Prévention ;
- La Française Inflection Point Multi Trends.

- La Française Systematic European Equities
- La Française Systematic Global Listed Real Estate
- La Française LUX – Sustainable Real Estate Securities

■ Fixed Income funds

- La Française Obligations Carbon Impact, and its feeder CMNE Participation Obligations ;
- La Française Carbon Impact 2026.

■ Cross asset funds

- CMNE Participation Solidaire
- La Française Systematic ETF Dachfonds
- La Française Systematic Dynamic Allocation
- La Française Systematic Multi Asset Allocation

La Française AM's funds can be viewed on its website, in the "Product" section: <https://www.la-francaise.com/en-fr/what-we-do/our-products/>. La Française SAM's funds can be viewed on its website, in the "Product" section: <https://www.la-francaise-systematic-am.com/>.

3. GENERAL INFORMATION ABOUT THE SRI FUND(S) THAT COME UNDER THE SCOPE OF THE CODE

3.1. What is (are) the fund(s) aiming to achieve by integrating ESG factors?

The increasing complexity interweaving social, political, and technological systems explains the current period of upheaval, disruption and volatility. Strategic analysis is therefore necessary to decipher their impact on assets. Our responsible investment approach is designed to respond to this new environment by integrating elements of strategic analysis into financial and ESG analysis, such as the capacity for innovation and adaptation; the latter can be defined as the implementation of innovation. These capacities appear to be essential and distinctive because they provide a dynamic and prospective overview of the investment.

The integration of financial, ESG, carbon and strategic factors into the investment process takes place without any particular hierarchy, and incorporates any feedback and their different temporalities. These interactions determine the formation and recurrence of financial flows generated by the different assets. The systematic and shared analysis of all these elements enables our process to gather further insight and evolve, thus benefiting from experience. It also makes it possible to adapt to specific standards.

Our approach is to identify and invest in responsible companies with high performance potential: i.e. those that have currently achieved this target and have the capacity to maintain this level of performance, and those that have the potential to reach this target.

The aim is to select companies on the basis of operational and financial criteria. It improves the likelihood of identifying inflection points that a traditional financial analysis might miss. Finally, it enables the best possible risk identification in terms of executing corporate strategies, by shedding light on the managers' capacity to come to terms with major economic, societal and environmental challenges.

3.2. What internal or external resources are used for ESG evaluation of the issuers who make up the investment universe of the fund(s)?

La Française has its own research and expertise centre specialising in extra-financial analysis. At this London-based centre, the Director of ESG Research and five ESG analysts are responsible for the methodology and calculation of ESG scores, as well as the establishment of strategic factors. They assess and quantify the ESG score of global issuing companies and apply a unique data model for carbon footprint assessment. This expertise is applied throughout the entire investment process and enables them to better meet the growing SRI reporting requirements.

The expertise of ESG analysts is integrated into the investment process via a proprietary internal research platform, and results in the development of investment ideas and solutions arising from close collaboration with analysts, managers and product specialists.

Resources and tools used by portfolio managers and ESG-Climate analysts are presented below:

Ressources	Usage	Level of Importance
Soft and Hardwares		
LightTrade (La Française portfolio management system)	Feed and storage of ESG information into our trading and portfolio management system (ESG & carbon impact as well as underlying KPIs) Scores archive and evolution measurement	+++
FactSet & its module RMS	Management of Research notes and of financial and extra-financial ratings generated by our investment teams and our extra-financial analysts Management of historical ratings and measure of their evolutions	+++
Bloomberg Bloomberg New Energy Finance (BNEF)	Monitoring of real-time performance and of the ex-ante risk of the portfolios Usage of the ESG database for the quantitative filter Usage of the BNEF for the solutions provider	+++
Research and Databases		
Sellside research (brokers)	Research notes and valuation models ; Thematic and company seminars ; Markets, sectors and company news ;	+++
ISS	Research on AGM proposals and votes Use of the ESG module (ISS - Sustainability Policy) La Française's Custom Policy	++
Sustainalytics	Exclusion of companies associated with controversial weapons	+
Clarity AI	Usage of ESG data	+
CDP	Usage of data for carbon footprints	++
ISS -Oekom	Usage of indicators for ESG score for our quantitative filter and ESG research for the qualitative analysis	++

3.3. What ESG criteria are taken into account by the fund(s)?

The research is formalised in the five-factor model originally developed by the sustainable research team for equity investments. The assessment of each of the five factors involves collecting reference data, evaluating it and attributing a score to a set of assessment criteria. These factors analyze ESG criteria.

ESG

- **Environment (E):** dependence on raw materials, management of carbon emissions, energy efficiency, pollution, water and waste management, etc.
- **Human capital (S):** employee rights, staff turnover, training and knowledge acquisition, etc.
- **Organisational capital (G):** governance, relationships with national and local authorities, suppliers, customers, etc.

An integrated ESG-based exclusion policies further defines the applicable investment universe of the funds. We have 3 levels of exclusion policies : group level, asset management company level and fund level¹⁰. Exclusions on the upper level also apply to the lower level (i.e. exclusions on the La Française Group level and the LFAM/LFSAM level also apply to the fund level).

¹⁰ Due to our ongoing improvement process, the list of exclusion has been updated following the adoption of new exclusions on the 1st of October 2020.

■ La Française Group level

- Controversial weapons (anti-personnel mines, cluster munitions, biological and chemical weapons, white phosphorus and depleted uranium) – 100% exclusion
- Companies from countries that are under international sanctions and/or significantly exposed to corruption, terrorism financing, money laundering, etc. – 100% exclusion

■ La Française Asset Management (LFAM / LFSAM) level

- Tobacco – threshold: 5% revenue
- Coal mining companies – threshold: 25% revenue + coal mining companies willing to build/open new coal mine
- Power production on coal energy – threshold: 25% revenue

■ Fund level

- Fund level exclusion may vary between the funds. Please find below as an example the exclusions for La Française Systematic European Equities
 - Controversial weapons (nuclear weapons) – 100% exclusion
 - Conventional weapons and/or their essential components – threshold: 5% revenue
 - Uranium mining companies – threshold: 5% revenue
 - Nuclear power plant operators and/or manufacturers of essential components for nuclear power plants companies – threshold: 5% revenue
 - Nuclear energy: companies that base their electricity generation on it – threshold: 5% revenue
 - Tobacco – threshold: 5% revenue
 - Coal mining companies – threshold: 5% revenue
 - Oil sands exploiting and/or processing – threshold: 5% revenue
 - Hydraulic fracking technologies – threshold: 5% revenue
 - Norm based exclusions matching with the UN Global Compact Principles

3.4. What principles and criteria linked to climate change are taken into account in the fund(s)?¹¹

We focus on the transition risks and opportunities associated with a low carbon economy. To do so, we have developed a methodology for in-depth analysis of issuers for our Carbon fund, which is applied across and benefits the management of other funds. For the La Française Systematic European Equities the methodology used is that described in question 3.5, but the framework of the more in-depth climate analysis carried by the Carbon fund remains a major contextual element for other managers who are aware of the issues and opportunities linked to climate change.

The question of physical risk, apart from certain very specific sectors such as real estate, for example, is barely taken into account or is totally disregarded. The work of the UNEP FI pilot group on the implementation of the TCFD recommendations showed us that climate finance has not yet been fully developed in terms of physical risks, but we are nevertheless monitoring developments in this area very closely.

¹¹ Reference to Article 173 of the French TECV Act see paragraphs 3 and 4 of Article D.533-16-1 of Chapter III of the French Legal Code):
<https://www.legifrance.gouv.fr/affichCodeArticle.do?cidTexte=LEGITEXT000006072026&idArticle=LEGIARTI000031793697>

In general, for each of our funds, we calculate the greenhouse gas emissions (scope 1 and 2) for all the issuers in which we are invested and use the information trending over five years compared to peers in the same industry.

Although we do not have a formal exclusion policy at this point, none of our funds hold issuers who earn more than 10% of their income from coal mining.

3.5. What is the ESG analysis and evaluation methodology of the fund manager/fund management company (how is the investment universe built, what rating scale is used etc.)?

Our ESG issuer analysis and evaluation methodology relies on an internal scoring model.

We have developed a proprietary ESG model to calculate sector-specific ESG scores for a universe of over 5,000 global companies. This automated tool uses raw data from different data providers (CDP, ISS ESG, CSRHUB, Factset and Bloomberg) to calculate KPIs (key performance indicator).

The KPIs are aggregated in risks and value drivers (RV) that will then feed into the final ESG score. At this level, the ESG analyst can add an adjustment based on new information.

The weightings of the different RVs into the ESG score is sector-specific. For instance, the environmental factor makes 46% of the ESG score in the construction materials sector, whereas only 18% for the media sector.

The respective ESG factors are Environmental Sustainability, Human Capital and Organisational Capital as shown in the following table:

Step 1 Integration of gross data	<div> <div>CSRHUB®</div> <div>CDP</div> <div>FACTSET</div> <div>ISS-ekom▶</div> <div>Bloomberg</div> </div>		
	Environmental Sustainability Factor	Human Capital Factor	Organisational Capital Factor
Step 2 Automated calculation of Key Performance Indicators and Risk Value Drivers Analyst adjustment	Carbon Efficiency	HC Governance Structures	Customer Relations
	Carbon Intensity Financed Emissions	Labour Management Score Gender Parity Policy Score	Product safety Product quality
	Energy Efficiency	Recruitment Capabilities	Supply Chain Management
	Clean Energy Energy Intensity	Employee Turnover Other Compensation & Benefits Programs Score	Supply chain labour standards Raw material sourcing Human Rights in the supply chain
	Materials Efficiency	Employee Satisfaction	Relations with Other Key Stakeholders
	Waste efficiency Natural Capital	Glassdoor.com rating review Monitoring employee satisfaction	Local community relationships Corporate philanthropy
	Water Efficiency	Retention & Workplace Performance	Shareholders Rights Protection
	Water withdrawals intensity Water consumption intensity	Health & Safety Score Labour Productivity (sales)	ISS Shareholder Score
	Pollution Management	Knowledge & Organisational Learning	Board Effectiveness
	Pollution target Pollution performance VOC intensity Sox intensity Nox intensity	Professional Development Score Training, Health & Safety Score	ISS Board Score Board quality Business ethics and fraud
	Environmental Governance	Labour Relations	Executive Pay
	Renewables Target Annualized Emissions Target Waste Management Carbon Management Energy Strategy	% Employee Unionized Major Layoffs	ISS Compensation Score Executive remuneration practices
Step 3 Scoring by factor	Environmental Sustainability Score	Human Capital Score	Organizational Capital Score
Step 4 ESG scoring	Sectorial score weighting by factors		
	ESG score		

The investment process of the sustainable equity expertise is following a 3-step approach:

Schematically, an initial phase identifies the companies to be ruled out solely on the basis of ESG criteria. This involves, on the one hand, continuing to apply the automatic exclusion list based on the exclusion policies and, on the other hand, establishing a watch list of securities with the lowest 20% ratings on one of the E, S or G criteria.

In a second phase, the Portfolio Manager carries out a systematic, multi-factor analysis of the assets under review combining qualitative, value, trend stability, low risk and carbon factors and applies a

positive screening approach to the investment universe corresponding to the result of the ranking. This results in a selection of securities.

Finally, in a third phase, the manager builds their portfolio consisting of a sector neutral portfolio of at least 30 stocks. The reallocation took place on a quarterly basis. During this process each constituent is equally weighted.



1) ADV: Average Daily Volume. Das Handelsvolumen eines Einzeltitels von einer Million Euro darf nicht mehr als 30% des durchschnittlichen Tagesvolumens der letzten 30 Tage ausmachen
 2) Diversifikationsziel nicht mehr als 30% pro Land bei Selektionszeitpunkt
 Quelle: La Française Systematic Asset Management

3.6. How often is the ESG evaluation of the issuers reviewed? How are any controversies managed?

At least once a year, we perform an in-depth ESG analysis of each of the securities selected as part of the filtering carried out during the first phase of our investment process. This frequency may increase depending on news about the company and its level of significance in the portfolios. A formal review of the recommendations is carried out each month by the Strategic Equity Committee. A weekly meeting is also held, during which managers deliberate over the list from which they select the securities and decide whether to refine the analyses; a report is also issued. A specific list of securities on which the teams will work is then distributed.

In addition, an ad-hoc analysis is notably triggered in the following cases:

- at the request of an analyst/manager, for a specific reason;
- upon a recommendation by an ESG-Climate analyst;
- following a particular event, such as a controversy, requiring a swift action which could potentially lead to an adjustment of positions.

Climate analyses are updated as follows:

- Carbon Impact rating: monthly calculation of KPIs, regular review of portfolio companies at least once a year, monitoring and continuous updating of the Carbon Impact rating in response to important news.

4. INVESTMENT PROCESS

4.1. How are the results of the ESG research integrated into portfolio construction?

The first phase of the investment process consists of a normative exclusion (controversial weapons) and a quantitative filter to reduce the investment universe of a given strategy to a working sample, known as the "Investable Universe". Also excluded are positions related to countries or issuers on the internal prohibition lists of La Française Group. The above-mentioned country categories are managed by La Française AM's Compliance team on the basis of factors such as international sanctions, terrorism and corruption.

The quantitative filter is based on our methodology for ESG analysis and assessment of the issuers discussed in question 3.5. This filter **identifies the companies to be ruled out solely on the basis of ESG criteria** (exclusion of 20% of the issuers with the lowest ESG scores). After taking the ESG criteria into consideration, the universe of the La Française Systematic European Equities is reduced from approx. 600 to 480 companies.

In a second phase, the asset manager undertakes a quantitative analysis of the assets under review combining qualitative, value, trend stability, low risk and carbon factors and applies a positive screening approach to the investment universe corresponding to their mandate and integrating the specific elements of each investment strategy.

4.2. How are the criteria specific to climate change integrated into portfolio construction?

The portfolio of the La Française Systematic European Equities is specifically constructed with a view to optimising financial performance and CO2 emissions. The manager uses a proprietary tool to simulate the impact of CO2 emissions and the carbon footprint of different scenarios for buying or selling securities. This tool is, of course, available to all of our equity managers, not just within the framework of the fund.

4.3. How are the issuers that are present in the portfolio, but not subject to ESG analysis evaluated (not including mutual funds)?

The entire investable universe is subject to ESG analysis using our tools and extra-financial rating methodology. This systematic rating enables us to exclude 20% of the issuers with the lowest ESG scores.

4.4. Has the ESG evaluation or investment process changed in the last 12 months?

The ESG investment process has not changed. The philosophy and steps of the management process have remained the same, but we have continued to evolve the process by making adjustments to Phase I and Phase II.

Phase I continues to function as an exclusion filter and is now based exclusively on ESG criteria. We are committed to continuous improvement and enrichment of our processes as we develop.

4.5. Is a part of the fund(s) invested in entities pursuing strong social goals/social enterprises?

No, no part of the assets and the fund is invested in solidarity organizations.

4.6. Does (do) the fund(s) engage in securities lending activities?

No, the funds does not engage in securities lending activities.

4.7. Does (do) the fund(s) use derivative instruments?

The manager can use index derivatives that do not affect the ESG quality of the portfolio. They are used to hedge against directional market risk and/or to adjust the funds exposure in the event of a change in its assets following a redemption or a subscription.

4.8. Does (do) the fund(s) invest in mutual funds?

The fund could invest up to 10% in other mutual funds but usually does not invest in mutual funds.

5. ESG CONTROLS

5.1. What internal and/or external control mechanisms are in place to ensure compliance of the portfolio with the ESG rules on managing the fund(s) as defined in section 4?¹²

To ensure compliance with these rules, a two-level control has been put in place:

■ First level controls:

- By the investment team
 - Before investing in a new security, the manager ensures that the security is investable, that is to say it has an extra-financial analysis and ESG coverage.
- By risk control
 - Risk control proceeds to a monthly review of the securities in the portfolio and monitors the upgrades or downgrades movements of ESG or Carbon Impact scores. This monthly monitoring is formalized during a monthly meeting with the management teams.

■ Second level control : Internal control

The second-level control, provided by the Compliance and Internal Control Department, is part of the risk and compliance monitoring procedure, applied to all La Française group management.

The annual control can be carried out through a sampling approach.

The Internal control can also carry out controls at any time on the respect of the investing policy related to ESG criterias, Carbon Impact and to the objective of reducing the carbon footprint.

¹² Reference to Article 173 of the French TECV Act

6. IMPACT MEASURES AND ESG REPORTING

6.1. How is the ESG quality of the fund(s) assessed?

The fund's ESG quality is assessed through its overall score, which notably includes its ESG score. As a natural consequence of our management process, a security only appears on the list of investable securities if it has passed the various phases of analysis and has been validated by the manager as part of the investable securities selection.

As part of the Carbon Impact strategies, in addition to the ESG quality of the fund, we assess their “carbon” quality through a breakdown of the ESG score and a breakdown of the Carbon Impact score.

6.2. What ESG indicators are used by the fund(s)?¹³

The fund uses the carbon footprint as an indicator of environmental impact. As members of the UNEP FI pilot group on the implementation of the TCFD climate reporting recommendations, we were able to participate in the Climate Value-at-Risk test and its improvement in collaboration with the Carbon Delta company and other investors. We now have access to Carbon Delta data which allows us to test the relevance of climate VaR, thus providing us with an additional component of information.

We publish an impact report on SRI labelled funds. The provision of data adapted by companies, and in particular social data, is a major issue and for this reason we are a member of the 'Impact' and 'social disclosure project' working groups of the FRI (Le Forum pour l'Investissement Responsable - Forum for Responsible Investment).

6.3. What communication resources are used to provide investors with information about the SRI management of the fund(s)?

We communicate about our IR management and / or our funds on the following media:

- Our website www.la-francaise-systematic-am.com on which we publish various types of content related to our SRI management and the funds we manage;
- La Française blog, "Blue Room by La Française" <https://blueroom.la-francaise.com/> on which two themes are devoted to responsible investment: Carbon Impact and SRI
- Legal documents (prospectus, KIID, reports periodicals) and the monthly reports of the funds, accessible from the web page
- The yearly impact report;
- The publication “Carbon Impact Quarterly” which details our carbon impact strategies and their evolutions;
- The transparency codes;
- The Responsible Investment Policy of La Française;
- The report on the Responsible and Climatic Strategy of La Française provided for in article 173 of the law on the Energy Transition for Green Growth 2015;
- Annual PRI reporting
- The voting policy of La Française Systematic Asset Management;
- The engagement policy and the engagement report;
 - Presentations on Impact Investing and Responsible Investment at La Française.

¹³ Reference to Article 173 of the French TECV Act

6.4. Does the fund management company publish the results of its voting and engagement policies?¹⁴

La Française group and La Française AM are committed to optimising the representation of managed UCITS. Our objective is to move closer to 100% participation in General Meetings and 100% voting on resolutions.

La Française AM publishes the results of its voting policy in aggregated form as part of its voting rights policy, which includes the report on the exercise of voting rights; it is available online here.

Additionally, the management company provides details of the results of its voting policy (link: <https://www.la-francaise.com/fr/informations-reglementaires/exercice-des-droits-de-vote/>).

The engagement policy was finalised and published in 2019 and is updated every year.

¹⁴ Reference to Article 173 of the French TECV Act and the HLEG recommendations on GOVERNANCE

DISCLAIMER

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Fund's name	Type	Asset Management Company	Agreement date	Regulator
La Française Systematic European Equities	UCITS	La Française Systematic Asset Management	01/03/2013	BaFin