

IMPACT REPORT ECHIQUIER CLIMATE & BIODIVERSITY IMPACT EUROPE

2021



intentionality

Echiquier Climate & Biodiversity Impact Europe aims to contribute to carbon neutrality and biodiversity preservation by supporting listed companies that provide solutions, demonstrate best practices or commit to a transition.

Approach

1 proprietary Climate Maturity and Biodiversity methodology to identify **3** profiles of complementary companies :

- **Solutions**
- **Pioneers**
- **Transition**

Objectives

2 **ex ante impact objectives**, used to determine a portion of fund managers' variable compensation

Share of value

€65,000 donated in 2021 to 2 projects on the themes of transition and the preservation of biodiversity

Governance

80% of the **members** of the Echiquier Impact SICAV's Board of Directors are **independent**

Actions to change the world

Echiquier Climate & Biodiversity Impact Europe's impact philosophy is based on 3 pillars at the heart of the fund's life

additionality

Echiquier Climate & Biodiversity Impact Europe's approach is unique in that it aims to engage all sectors of the economy to achieve global carbon neutrality and preserve biodiversity.

Engagement

28 companies in the portfolio were actively engaged **on climate** and biodiversity in 2021.

Singularity

23.5% of the portfolio are **companies in transition** that are starting to implement measures in favour of Climate and Biodiversity

Sector contribution

10 **working groups** on impact investing in listed equity markets, climate and biodiversity in which we participated in 2021

mesurability

Measuring the positive and negative impact of the fund and the companies in the portfolio allows us to assess the quality of the system as a whole and provide the end investor with transparent information on performance.

Measuring the impact of portfolio companies

The companies in the portfolio contribute to carbon neutrality and the preservation of biodiversity

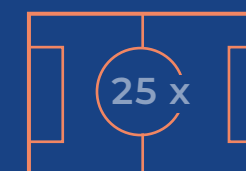
CLIMATE

A portfolio aligned with a climate **trajectory** **1.6°C** vs **2.9°C** for the benchmark

Our investment in our portfolio companies has **saved** **1,180 teq CO2** vs. **670** for the benchmark

49% **green share** **eligible** for European Taxonomy vs. **22%** for the benchmark


In 2021, our investment in portfolio companies contributed to a **loss in terrestrial biodiversity** equivalent to the artificialisation of an area equal to **25 soccer fields** vs. **38** for the benchmark



BIODIVERSITY

Measuring the impact of companies, by pocket

SOLUTIONS POCKET

63.2% 
Weighted average MCB Score of the pocket vs. **65.3%** for the portfolio

58% 
European Taxonomy-eligible green share vs **49%** for the portfolio and **22%** for the benchmark

34.6%
of the portfolio

PIONEER POCKET

74.4% 
Weighted average MCB Score of the pocket vs **65.3%** for the portfolio

51.3% 
Companies committed to a SBTi 1.5°C scenario vs **45.5%** in the portfolio and **43.9%** in the benchmark

41.9%
of the portfolio

TRANSITION POCKET

52.2% 
Weighted average MCB Score of the pocket vs **65.3%** for the portfolio

63.0%
Companies that have set themselves a climate target in line with SBTi or have made a public commitment to do so within 24 months vs **73.7%** in the portfolio and **66.6%** in the benchmark

23.5%
of the portfolio

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Throughout this report, the abbreviation ECBIE will be used to refer to the Climate & Biodiversity Impact Europe fund. From a methodological point of view, the term "impact" used in this report does not refer to a scientific definition that would allow the cause of a change to be attributed to the fund's financing activities or action taken by the companies in the portfolio.

The purpose of this report is to document the resources used by the fund and to measure the impact of these resources on the investments made. It also aims to report on the contributions of portfolio companies to carbon neutrality and biodiversity conservation, based on content and data as of 31/12/2021, as publicly communicated by the latter.

 For more information on the independent verification conducted by Better Way on this report, please refer to Appendix 3.

Foreword

Olivier de Berranger
Deputy Managing Director
in charge of Assets Management



The house is burning

The climate machine is spinning out of control. From the record heat in Antarctica last March - 40°C above average - to extreme heat waves which were close to 50°C in India and Pakistan, the alarm signals are piling up. The climate machine is running out of control and the destruction of biodiversity, due to human activity, is also accelerating.

We have the tools and know-how to limit global warming. The words of the Chairman of the IPCC, at the time of publication in April 2022 of the third part of the institution's report, have a particular resonance for us as responsible investors. For the members of the intergovernmental expert group, taking action for the climate and keeping the rise in temperature below 2°C would have economic benefits that outweigh the costs involved. At La Financière de l'Echiquier (LFDE), we are convinced that this is the case. Ambitious positioning on these crucial global issues will become a source of opportunity and performance. As pioneers of listed impact investing in France who are committed to taking concrete action, we defined an evolving corporate climate strategy in 2021 and strengthened our quest for impact within Echiquier Climate Impact Europe.

Accelerate

The fund's pragmatic approach seeks to involve all sectors of the economy in order to accelerate the transition to a low-carbon economy. As the preservation of biodiversity is a bulwark against climate change, we have strengthened its integration into this strategy in 2021. Our exclusion policy and our proprietary impact methodology have been redesigned to include biodiversity issues, in addition to climate ones. Our fund, which now covers both dimensions, was renamed Echiquier Climate & Biodiversity Impact Europe on 22 March 2022.

The stakes are high. Many industries, from agriculture to transport, depend on ecosystem services. According to the World Economic Forum, 50% of global GDP depends on biodiversity. While awareness of the financial risk of biodiversity loss is emerging, addressing this issue is complex. This is why LFDE has surrounded itself with experts and has committed, within the framework of the Finance for Biodiversity Pledge, to integrate biodiversity criteria into its analyses and to publish the impact of its investments by 2024.

Support

Our commitment also extends to our portfolio companies, with a stronger commitment to those that are beginning their transition, to help them accelerate their transformation towards more virtuous models.

This commitment was also at the heart of LFDE's Climate & Biodiversity Meetings, which brought together companies, clients and European experts at the end of 2021. The workshops, which were organised on European taxonomy, biodiversity and the implementation of climate strategies have enabled us to identify the first encouraging avenues that we will follow in the future.

Echiquier Climate & Biodiversity Impact Europe received a Climetrics Fund Award in 2021, out of 17,000 funds evaluated worldwide. This distinction is based on the fund's environmental performance in 2021, and calculated by Climetrics, the Carbon Disclosure Project (CDP) ranking. This award recognises our high standards and our leadership.

Impact of the fund

Listed impact investing

Impact investing in listed equity markets represents a new frontier in the world of responsible finance. What sets this new form of investment apart from approaches that involve prioritising companies with the best environmental, social and governance practices is the need to go even further by providing investors with proof of a positive, long-term impact.

To that end, just like impact investing on non-listed markets, listed impact investing is actively structured around the following three concepts: **Intentionality**, **Additionality** and **Measurability**.

The approach of **Echiquier Climate & Biodiversity Impact Europe** is based on these concepts. It aligns with the principles set out in LFDE's impact doctrine, **which in turn reflects the stringent definition of impact investing derived from the work of French Social Investment Forum (FIR) and France Invest, as well as the latest work of Finance for Tomorrow.**

We are aware of the challenges associated with integrating an impact approach into the management of a portfolio. The outcome is testament to our commitment and part of a continuous improvement process.

These 3 concepts are closely linked:

mesurability

Measuring the positive and negative impact of the fund and the portfolio companies allows us to assess the quality of the system as a whole and provide the end investor with transparent information on performance. To ensure reliable, high-quality results, the measurement process must be carried out annually in partnership with independent experts. The findings have an impact on investment decisions.

intentionality

The intention to generate a positive environmental and/or social impact is the starting point of any impact investment approach. Intentionality includes several essential components: setting ex ante impact targets and indicators, strong governance, dedicated internal resources, etc.

additionality

As a responsible investor, the fund must create real, unique and differentiated added value for **the companies in which it invests**. This is called additionality. Active long-term engagement with companies should enable them to improve or increase their net impact, environmental and social performance, and governance.

» Publishing annual impact data represents an opportunity for an impact fund to refine its impact strategy, the specific targets of the fund and its engagement efforts with companies over time.

This is a continuous improvement process that helps enhance the intentionality and additionality of the fund

Our vision of impact investing

These three impact investing concepts are present at every stage of of "Echiquier Climate & Biodiversity Impact Europe investment process".

intentionality

CONSTRUCTION OF
IMPACT-ORIENTED
PORTFOLIO

Impact philosophy around climate and biodiversity issues

- ♦ An impact score developed with the firm I Care, measuring the company's maturity in taking climate and/or biodiversity issues into account.
- ♦ An investment strategy adapted to 3 companies profiles to bring all sectors of the economy on board in their transition.

Ex ante impact approach

- ♦ Definition of ex ante impact targets supporting the impact thesis of the fund.
- ♦ Identification and selection of companies according to their impact thesis.

ESG Excellence

- ♦ Consideration of controversies and negative externalities.

additionality

DIALOGUE WITH
SHAREHOLDERS AND ADDED
VALUE FOR THE INVESTOR

- ♦ A unique positioning to support of companies in transition.
- ♦ Shareholder stability and a long-term investor approach.

An adapted support approach

- ♦ A reinforced engagement approach for companies in transition
- ♦ Multi-form individual engagement with companies to enhance their positive impacts and mitigate their negative impacts
- ♦ Collaborative engagement
- ♦ Organisation of the Climate & Biodiversity Meetings focusing on the engagement between investors and companies.
- ♦ Voting at General Meetings.

mesurability

ANNUAL
IMPACT
ASSESSMENT

Transparency and alignment of interests around ex ante impact objectives

- ♦ Transparent annual assessment of the impacts of the portfolio companies and the fund, based on the ex ante impact objectives.
- ♦ Alignment of fund managers' variable remuneration with ex ante impact targets.

Monitoring the development of portfolio companies

- ♦ Formal review of the business assessment at least every 2 years.
- ♦ Annual co-construction of an impact report with independent experts.

This dynamic approach is reflected beyond the investment process

- ♦ Independent governance with expertise in impact and climate issues.
- ♦ Redistribution of a share of management fees to the association **Osons Ici et Maintenant** and the **Endowment Fund of the Muséum national d'Histoire Naturelle**.

- ♦ Active participation in the development of impact investing on listed equity markets and in market initiatives on climate and biodiversity issues.

In the interests of transparency, each aspect of the fund investment process will be explained in detail in this report

Listed impact investment and Article 9 SFDR?

Since 10 March 2021, the European *Sustainable Finance Disclosure Regulation* (SFDR) establishes a classification of financial products in order to improve transparency on the ESG approaches of funds to better assess them and avoid greenwashing practices.

According to SFDR, funds that have a **sustainable investment objective** and aim to have a measurable positive impact on the environment and society can be classified as "Article 9". They differ from funds classified as "Article 8" which only promote environmental and social characteristics.

Why is the ECBIE fund legitimately classified as "Article 9"?

The fund meets the 3 conditions required by SFDR

To contribute to an environmental or social objective

✓ **Environnemental objective** » ECBIE wishes to contribute to **carbon neutrality** and the **preservation of biodiversity** by accompanying listed European companies that provide **solutions**, demonstrate **best practices** or have begun their **transition**. **100% of companies** are subject to a proprietary impact filter to ensure of their expected contribution. »p. 10 & 13

✓ **Taxonomy eligibility** » ECBIE, by supporting "solution" companies in particular, invests in **companies whose activities are partly eligible to the European taxonomy** specific reporting is planned in this respect. »p. 25 & 28

✓ **Alignement with the impact thesis** » **Ex ante impact indicators** supporting the impact thesis linked to a **variable remuneration** supplement **for fund managers** have been defined. »p. 26

✓ **Mesuring the achievement of targets** » **A set of indicators**, such as the temperature of the portfolio and its biodiversity footprint, is measured ex post. ECBIE is committed to **outperforming the all-scope carbon intensity** of its benchmark. »p. 25

Do not cause significant environmental and social harm

The choice of each portfolio company is based on 3 complementary filters that ensure that our investments do not cause such harm through our investments:

✓ **Exclusions** » A stringent **sector and normative exclusion policy** reduces the fund's exposure to social and environmental damage. »p. 12

✓ **ESG Analysis** » The systematic analysis of each company allows us to invest only in companies **that control their envi-**

ronmental and social impacts. This analysis takes into account the main negative impacts. »p. 12

✓ **Impact analysis** » ECBIE's impact score includes a controversy malus for serious environmental damage. For companies in the Solutions pocket, the environmental contribution is measured by a **net percentage of turnover**. »p. 10 & 13

Demonstrate good governance practices

Governance is at the heart of our analysis:

✓ **Good Governance Practices** » A **minimum ESG score** of 6.0/10 (62% of which is based on governance) is necessary to integrate ECBIE's portfolio, ensuring good corporate governance practices (sound management structures, remuneration, etc.). »p. 12

✓ **Governance and Impact Thesis** » Within the "Climate and Biodiversity Maturity" methodology, 30% of the score is dedicated to the analysis of **Governance of Climate and Biodiversity**.

✓ **Governance and Controversies** » Particular attention is paid to the analysis of controversies, which often originate from poor governance. ECBIE is committed to achieving a **lower ESG controversy score than its benchmark**. »p. 11 & 12

For more information, please refer to ECBIE's pre-contractual documentation.

Climate and biodiversity Maturity



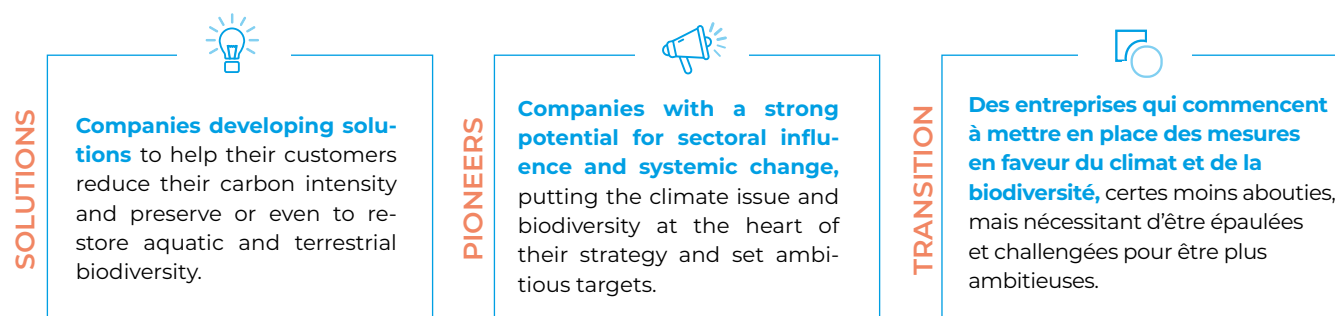
Intentionality, (feminine noun) : The intentional willingness of the investor to contribute to a measurable social and/or environmental benefit at the same time as a financial return*.

In light of this definition, the objective of **Echiquier Climate & Biodiversity Impact Europe (ECBIE)** is to generate attractive risk-adjusted returns by contributing to carbon neutrality and biodiversity conservation by supporting listed companies that provide solutions, demonstrate the best practices or are in the process of transitioning.

What is the philosophy behind this fund?

The creation of ECBIE is part of a more global corporate approach. In 2021, LFDE adopted an ambitious climate strategy that includes a reinforced policy of phasing out coal and unconventional and controversial fossil fuels. Designed in partnership with I Care, a leading environmental consultancy firm, this strategy includes training in finance and climate issues for LFDE's Board of Directors and Executive Committee, as well as for all of its teams, in order to integrate climate issues into all of the company's business lines and decision-making processes.

The construction of the ECBIE fund is based on the premise that in order to achieve the objective of carbon neutrality by 2050 and the preservation of biodiversity, it is necessary to involve all sectors of the economy, particularly those sectors with high CO2 emissions and/or have a high impact on biodiversity high impact on biodiversity, in their transition. We have therefore developed our methodology in order to include a broad typology of companies in the portfolio :



WHAT DOES THIS CARBON NEUTRALITY OBJECTIVE MEAN ?

The IPCC** defines the concept of carbon neutrality as "the situation in which net anthropogenic CO2 emissions are offset on a global scale by anthropogenic CO2 removals over a given period of time". This is also referred to as net zero CO2 emissions. The 2050 carbon neutrality target to which we seek to contribute is the one defined by the IPCC to achieve the objectives of the Paris Agreement. Therefore,

a company cannot be carbon neutral individually, but can contribute through its actions to achieving carbon neutrality on a global scale. Several organisations (such as SBT***, ADEME****, Net Zero Initiative, etc.) have taken up the subject to propose unified definitions, as well as methodologies and benchmarks to assist companies in building and monitoring their carbon neutrality contribution objectives

* Source GIIN: A demanding definition for listed and non-listed products - FIR & France-Invest - 2021

** IPCC: Intergovernmental Panel on Climate Change

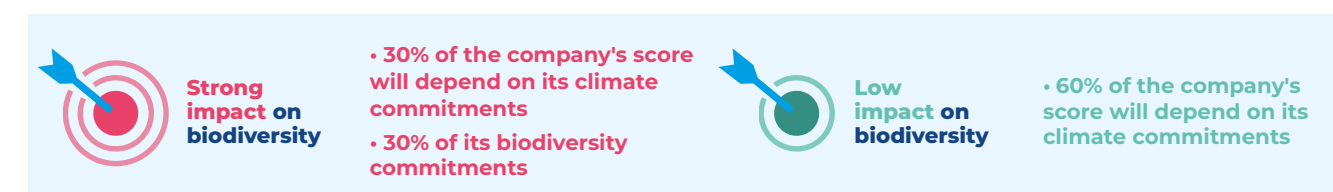
*** SBTi: Science Based Targets initiative

**** ADEME: Environmental and Energy Management Agency

A methodology developed with experts in environmental issues

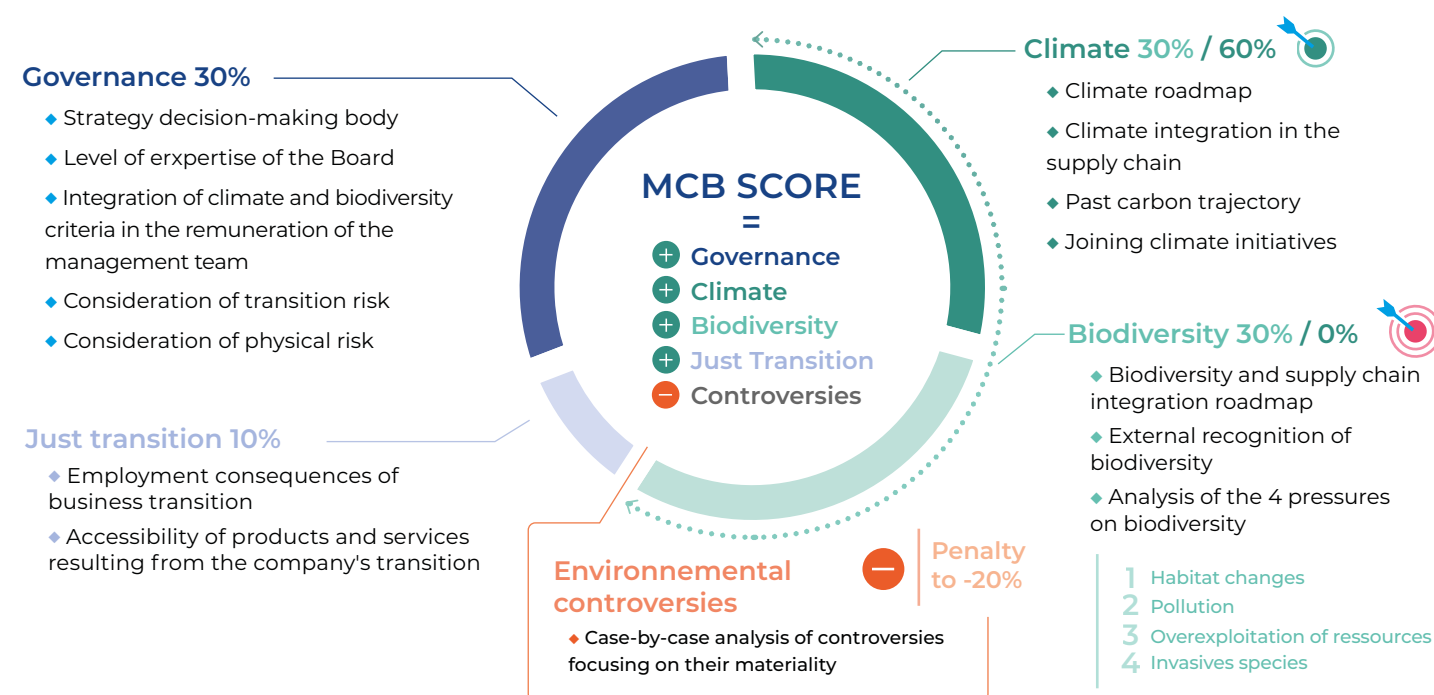
The construction of the fund is based on the **Climate and Biodiversity Maturity Score (MCB)**, which is the result of the expertise of LFDE's teams and the advice provided by the firm I Care. This proprietary methodology measures a company's maturity in taking into account climate change and biodiversity issues.

The analysis starts with the identification of the company's impact on biodiversity. To do this, we use a "biodiversity matrix" produced in-house, based on the GICS classification:



Once this identification has been made, the MCB Score is calculated. This is made up of 3 or 4 pillars depending on the company's impact on biodiversity, plus a malus linked to environmental controversies. This malus takes into account the negative externalities of companies, penalising those involved in controversies related to palm oil, overfishing, deforestation, etc.

The assessment of the Climate and Biodiversity Maturity of companies is carried out internally with the support of data published by the companies but also thanks to various recognised external sources, such as Carbon4 Finance, CDP, SBT and SBTN and MSCI ESG Research.



2 Examining our investment approach

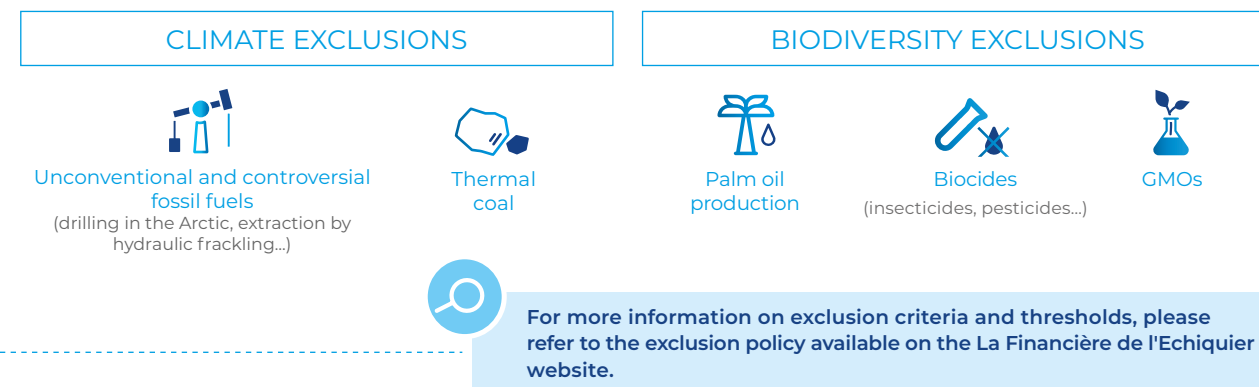
Echiquier Climate & Biodiversity Impact Europe's formal investment process is broken down into five complementary stages.. Impact research is fundamental: ex ante, pro-active and systematic.

1 IDENTIFICATION OF COMPANIES ACCORDING TO THEIR IMPACT THESIS

Impact is the starting point to generate investment ideas for **Echiquier Climate & Biodiversity Impact Europe**. The fund seeks for companies that contribute to carbon neutrality and biodiversity preservation by providing solutions, demonstrating the best practices or by starting their transition.

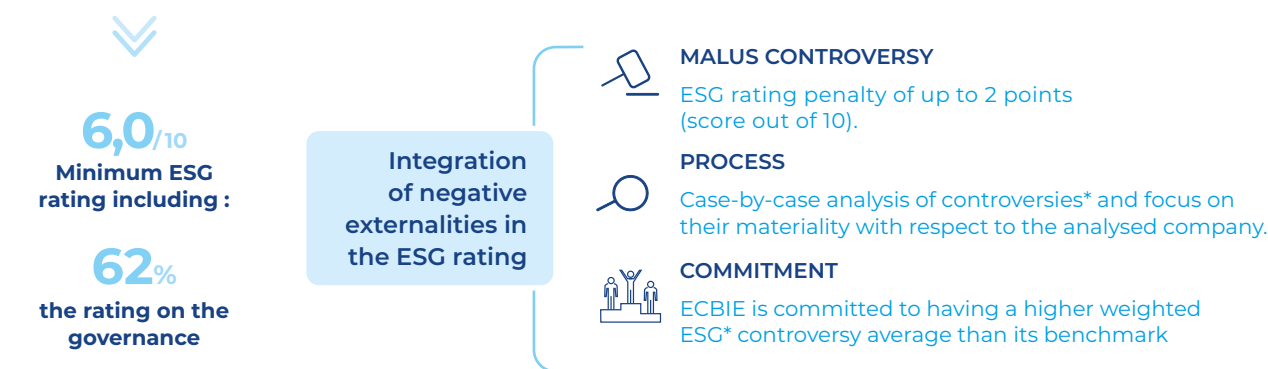
2 EXCLUSION FILTER

The exclusion filter is the safeguard for the most negative externalities. This first filter allows us to exclude from the portfolio companies active in **14 activities and sectors** considered as harmful and companies with the most controversial practices. Among these sectors, we find the following with a strong impact on climate and biodiversity:



3 ESG FILTER

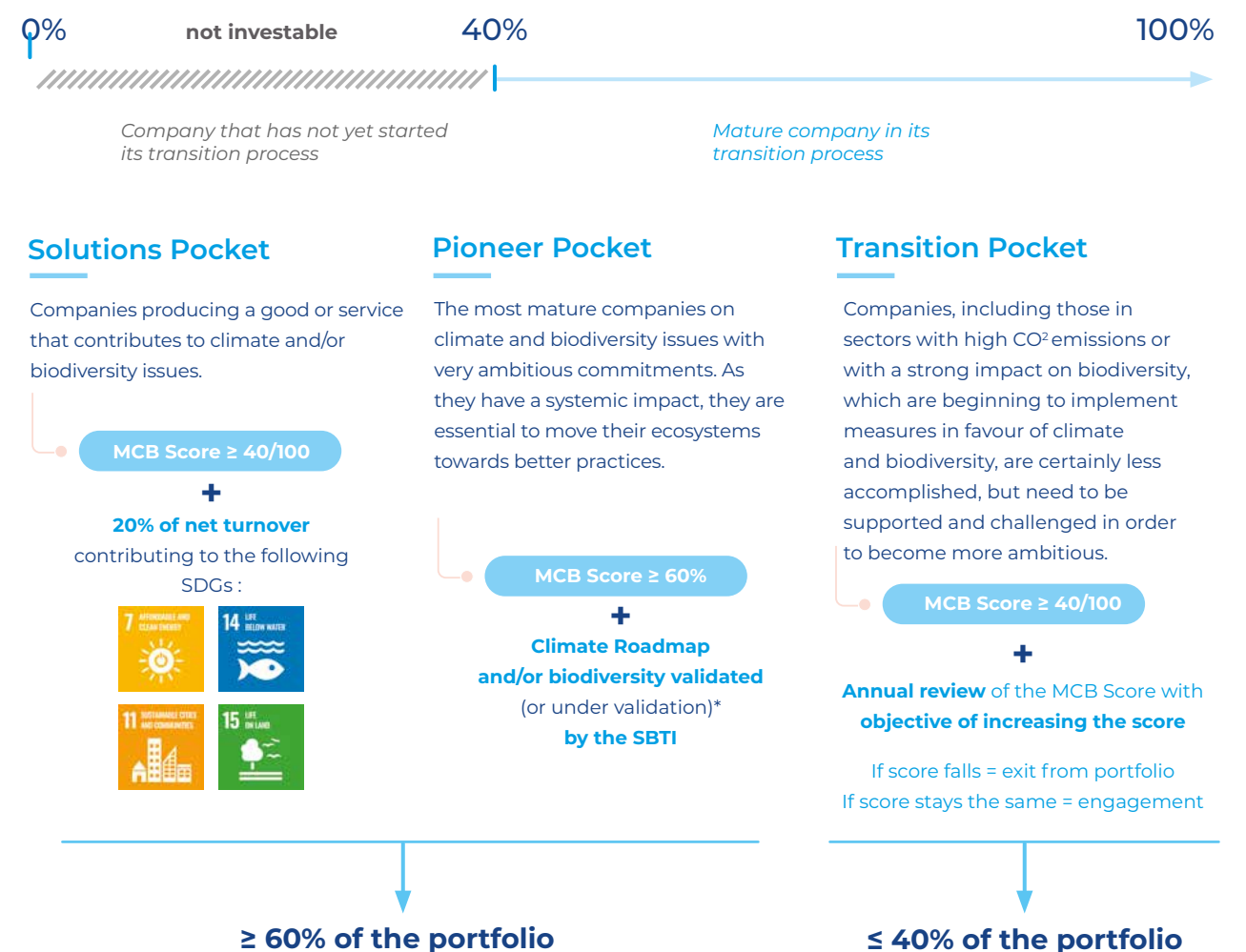
This filter assesses the ESG quality of companies, focusing on the materiality of company-specific indicators. Particular importance is attached to the analysis of corporate governance. Our ESG requirements allow us to select best effort and *best-in-universe companies*.



4

IMPACT FILTER AND AN ALLOCATION IN 3 POCKETS

Companies that have passed these three filters are analysed using our **Climate and Biodiversity Maturity** methodology. It allows us to establish the level of progress (measured in %) of the company in taking into account the climate and biodiversity issues it is currently facing, and will be facing.. Companies are divided into three pockets, according to their profile. These pockets will have specific selection criteria and an investment strategy. All companies **must achieve a minimum MCB Score of 40%**, to ensure that they have already started their transition process..



5

FUNDAMENTAL FINANCIAL ANALYSIS FILTER

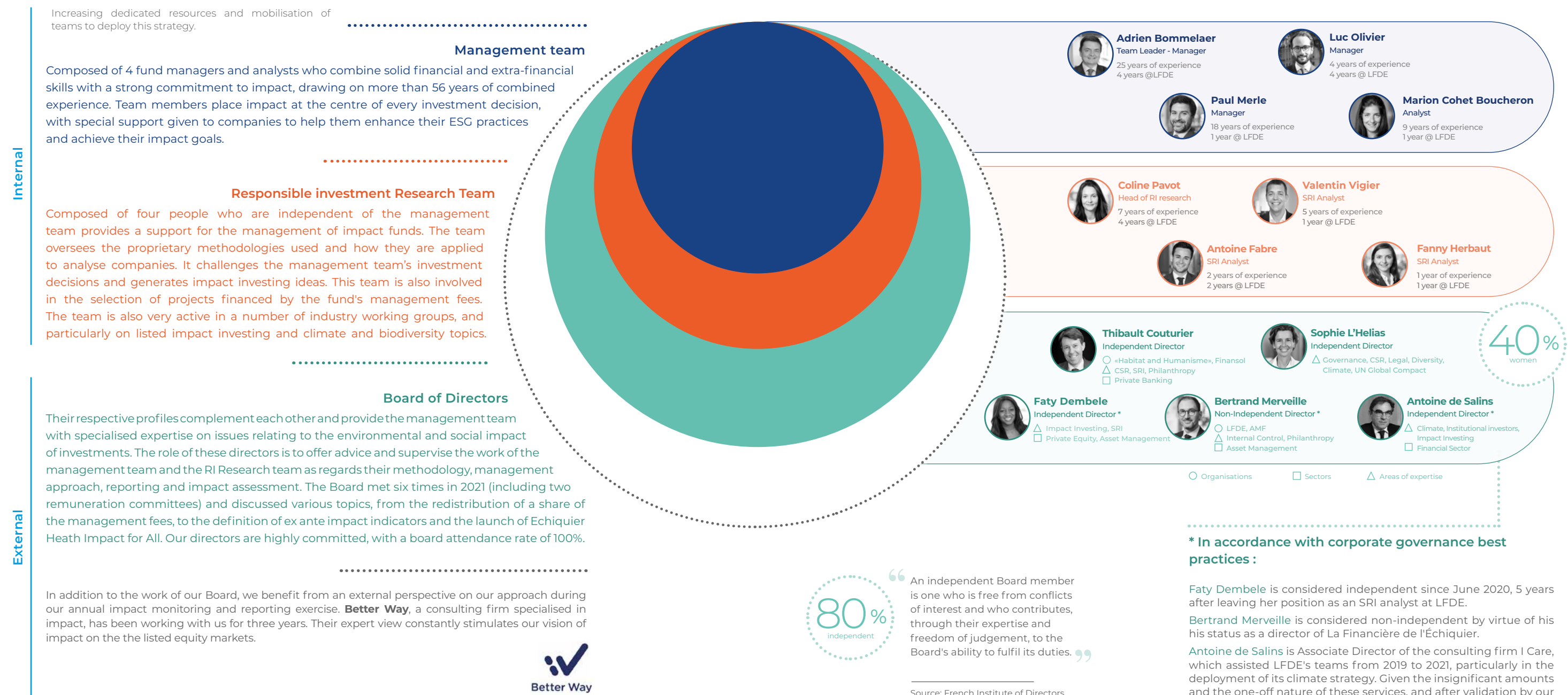
- ♦ Meetings with management teams
- ♦ Investment cases: valuation, strategic analysis and purchase and sales targets

* A roadmap validated by the SBTi is called a "targets set" and is currently being finalised/validated "committed". Science Based Targets exist in a climate version "for climate" and a biodiversity version "for nature".

3 Governance for impact

Since the launch of Echiquier Positive Impact Europe in 2017, we have been committed to providing our impact funds with their own governance, capable of supporting this innovative listed impact investment project over time. This governance is essential to guarantee the intentionality of the fund and to enable the sustainable implementation of Echiquier Climate & Biodiversity Impact Europe's impact strategy.

It is structured as follows:



“The dialogue between these different governing bodies helps to improve the fund's impact practices”

Continuous improvement in the quality of governance of our impact fund is one of our major concerns.

4 Value sharing

Since its creation, ECBIE has had a dual intention: to generate positive impacts through its investments and to share the value created in favour of projects with a positive environmental and social impact. This value sharing is achieved through **a mechanism of redistribution of part of the management fees.**

It was important to us that the project chosen supported the fund's impact thesis. This thesis integrates the issues of just transition to which it is difficult to contribute significantly through our investments. We therefore wanted to support a project that contributes to these issues.

After a demanding selection process, we chose **the 100% TRANSITION** programme of the association **"Osons ici et Maintenant"**.

Finding

At a time when social and environmental challenges are huge...

2/3 of young people think that society does not allow them to show what they are capable of

1 million young people in France are unemployed and untrained

Sources: Arte 2020 survey "It's time", Study by the Ministry of Labour, Employment and Economic inclusion.

Solution



Faced with this observation, "Osons ici et Maintenant" creates and accompanies young people from all backgrounds dare to develop their potential, and build their future. To achieve this, the association designs and runs transformative courses to develop young people's power to act in the service of a sustainable society.



Among them, the **100% TRANSITION** scheme offers a 9-month course to support young people without activities, helping them to build a life project and find their way, by discovering jobs in the ecological and social transition.

CONTRIBUTION OF ECBIE 2021

ECBIE will co-finance **€50,000** to fund the course of **50 young people** programme beneficiaries.

THIS PROGRAMME, CO-DEVELOPED BY A CONSORTIUM OF PARTNERS, HAS A TRIPLE INTENTION:

Offer a pathway to trainings and jobs in the ecological and social transition

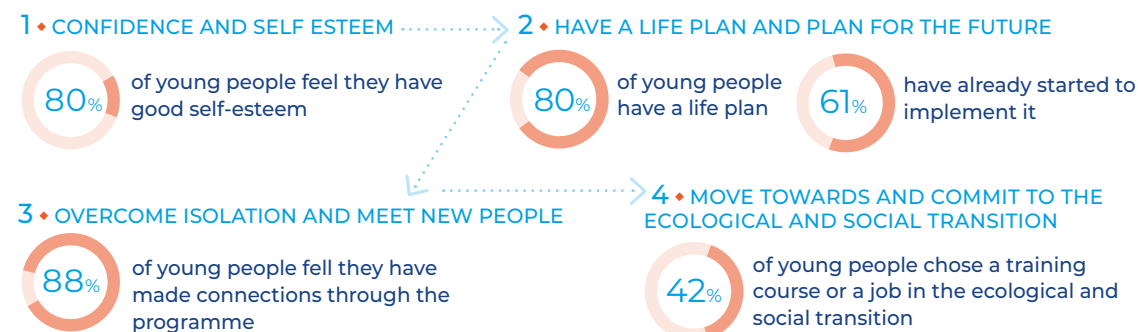
Changing the traditional way of intervention in the professional integration field

To conduct this experiment as a laboratory for developing new modes of support on a national scale

Measuring impact is a key issue for the association in order to improve the effectiveness of the programme and encourage its dissemination. The main impacts of the programme can be divided into 4 themes:

AT THE END OF THE PROGRAMME...

Impacts



These impact data relate to the first promotion of the programme (2020/2021) and are taken from the interim results report of Ellyx, a social innovation agency member of the consortium. For more information on the association and the program, please visit: <https://osonsicietmaintenant.org/>



In addition, ECBIE will contribute **€25,000** to the endowment fund of the National Museum of Natural History, which aims to contribute to the **preservation of biodiversity** for future generations.

1 Unique positioning on impact



Additionality, (noun) : Additionality is best understood as the specific and direct action or contribution of the investor that enables the investee company or the project financed to increase the net positive impact generated by its activities. It is the answer to the question: what difference would it have made if the asset had not been financed by this specific investor?*

Echiquier Climate & Biodiversity Impact Europe's approach is unique in that it aims to engage all sectors of the economy to achieve global carbon neutrality and preserve biodiversity.

Funding solution providers...

In order to achieve the objectives of the Paris Climate Agreement or to preserve biodiversity, one naturally thinks of financing companies that provide solutions to environmental challenges. These solutions may have a direct environmental impact, such as the French renewable energy producer Neoen, or an indirect one, such as Dassault Systemes, whose software helps design more efficient vehicles and buildings.

...the pioneers in all sectors

Focusing only on the players who provide solutions is not, in our view, the only way to achieve the climate goals. The transition of all sectors is necessary, including traditional sectors such as hotels, textiles and banking, all of which include pioneering companies that have made ambitious commitments to climate change and biodiversity conservation. They have a systemic power, and are capable of changing their ecosystems: these actors need to be accompanied by investors who are committed on the long term.

...but also the forgotten of the transition

In the climate race, some companies, such as those in the fossil fuel sector, are often excluded by investors. Yet the energy sector accounts for 40% of global emissions and transport for 23%. At La Financière de l'Échiquier, we are convinced that our role is to support them through a sustained and committed shareholder dialogue. We are all the more attentive to the evolution of their MCB Score, attesting to their efforts on climate and biodiversity issues. If companies are not making progress and if their MCB Score is stagnating, we initiate an engagement process. If this persists or if their score decreases, we divest.



ENGAGE RATHER THAN INVEST?

According to the International Energy Agency (IEA), the energy sector is 80% dependent on fossil fuels, the main contributor to global warming.

Should they be excluded and left in the hands of perhaps less demanding investors... or should they be invested in and engaged to accelerate their transition? The second option is beginning to prove its effectiveness. Several fossil fuel producers have increased their climate commitments at the initiative of investors (such as the Climate Action 100+) and the influence of environmental shareholder resolutions at the General Meetings.

A 1.5°C world cannot be built without the transition of the business model of these actors. This is why we have decided to invest in some of these companies, with serious and sincere commitments, to make our voice heard and to accompany them in their transition. However, we exclude the most environmentally damaging activities, such as unconventional and controversial fossil fuels or thermal coal.

* Source: A demanding definition for listed and non-listed companies - FIR & France-Invest - 2021

2 An investor committed to supporting companies

Shareholder engagement is at the heart of the relationship we have been building with companies for many years, particularly in the context of our impact funds. This engagement in its various forms is what drives our dialogue with companies throughout the year.

We are well aware that we are not solely responsible for the progress made by the companies in which we invest. However, we do everything in our power to provide them with the support they need to implement their plans.

Various opportunities for dialogue with companies arise throughout the year regarding various extra-financial aspects, including impact.



The various steps of engagement at LFDE

In 2021, EPIE is:

Annual General Meeting (AGM) period

We are committed to voting at 100% of AMGs. Particular attention is paid to environmental and social resolutions. The time of the AGM can also be a time devoted to an exchange with the companies, pre-AGM to clarify certain resolutions and post-GA to provide them with as much feedback as possible on the reasons for our opposition in order for them to move forward.

- ◆ **1 pre-AGM engagement:** voltaia
- ◆ **6 post-AGM engagements:** including: Corbion
- ◆ **100 % of votes at AGMs**
- ◆ **16% voted against** (or abstained)

EXAMPLE

◆ **7 environmental and social resolutions** voted and supported at the AGMs of 5 companies:

Nestlé cellnex acciona edp renováveis

IBERDROLA

At Iberdrola's 2021 AGM, we supported the two environmental resolutions put to the vote.

We voted in favour of the resolution on the validation of the CSR report, as it demonstrates excellent transparency and high level of detail. We also supported the management's climate action plan for its seriousness. The CO2 reduction targets cover all scopes, are aligned with a 1.5°C climate scenario and are validated by the Science Based Targets initiative.

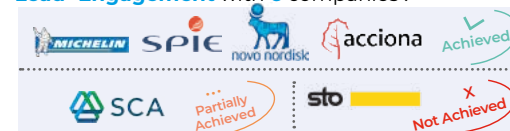
Collaborative engagement

Complementing our individual engagement by joining with other investors in collaborative engagement on specific themes sends an even stronger sign to the management of the companies we invest in.

- ◆ **2 collaborative engagement campaigns** on climate and biodiversity targeting **14** portfolio companies:

» CDP "Non-Disclosure" Campaign

- "Lead" Engagement with **6** companies:



- "Co-Lead" Engagement with **7** companies:

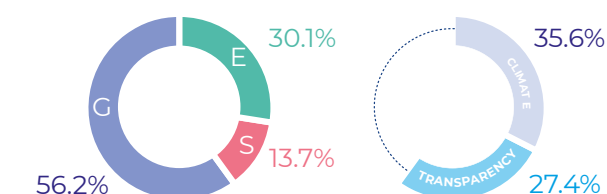


- » **Active participation in the Climate Action 100+** with contribution to the working group dedicated to Philips.

ESCG and Impact Analysis

During the analysis process, we engage in a systematic dialogue with the companies in which we invest, sharing with them several specific areas for progress. These constitute extra-financial objectives, which we monitor on an ongoing basis.

- ◆ **73 areas of progress** shared to **22** companies:



As the fund was established in December 2020, we will report on the achievement of the areas of progress sent from 2022 onwards, in the 2023 impact report, to allow time for companies to get started.

Other opportunities

Outside of this scope, we engage with companies on an ongoing basis and in a variety of ways throughout the year to support them in their efforts towards greater responsibility and impact.

- ◆ We continue to engage with companies from which we divest. This may be the case following controversies.
- ◆ We organise an annual multi-stakeholder engagement seminar on climate and biodiversity, bringing together companies, investors and experts.
- ◆ We respond to their requests when they wish to establish their materiality matrix.

EXAMPLE

◆ **Worldline**

In 2021, we responded to requests from Worldline to contribute to the update of their materiality matrix.

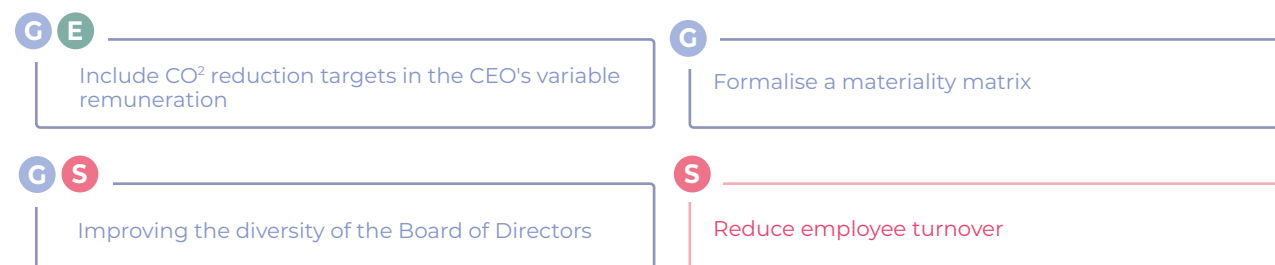
This meeting was an opportunity to discuss topics such as the impact of the company's products and their employee retention policy. These exchanges also allowed us to share our expectations on the evolution of their CSR policy.

3 A committed investor in companies

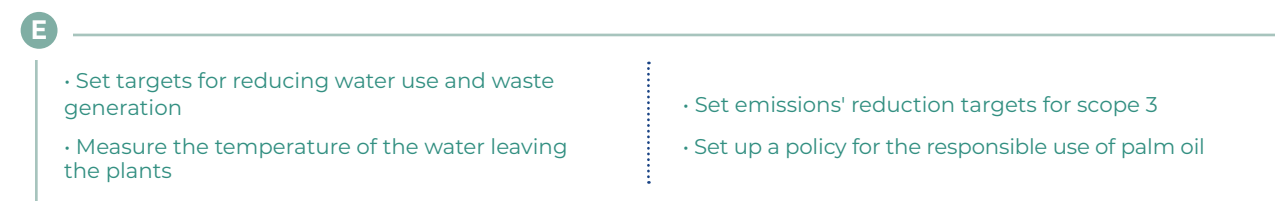
kemira

Kemira is a Finnish chemical company specialising in drinking water treatment and pulp and paper production. Its products improve the efficiency and quality of its customers' production. Although we are not a shareholder, we wanted to engage closely with the company to improve its non-financial profile and impact.

1 The first meeting dedicated to **ESG** took place in March 2021. At the end of our discussions, 4 areas of progress were shared:



2 With the release of the 2021 annual report, we have identified significant improvements with the completion of two of our areas of progress. We then arranged a follow-up meeting with the head of CSR. He confirmed that work was underway on the other two areas. This discussion was an opportunity to strengthen our engagement by **formulating new areas of progress dedicated to Kemira's impact on climate and biodiversity.**



The company's responsiveness in our discussions and its strong will to progress convinced us to make a long-term engagement despite its absence from the portfolio. This engagement - whose objective is to improve the company's climate and biodiversity impact - is eligible for ex ante impact assessment of the fund. [»p. 26](#)

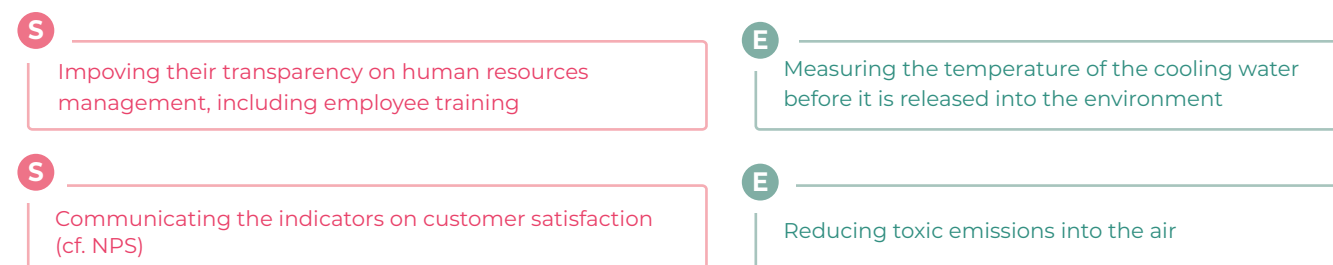
In addition to traditional extra-financial issues, climate and biodiversity are strong themes of engagement for ECBIE, in line with its impact thesis. They are therefore central to the various stages of engagement with companies. Here is a look at two stories about engagement that have marked 2021.



SCA is Europe's largest forest owner, producing and selling wood pulp, paper, cardboard and wood. We have been a shareholder in SCA since the launch of the fund in 2020. SCA's activities contribute to addressing climate change and biodiversity issues, making the company one of the portfolio Solutions companies.

Several engagements steps took place in 2021 :

1 We met with SCA's management team as part of the update of our ESG analysis. Following this new exchange, we defined 4 areas of progress that we shared with the company:



Since our previous analysis, one of the areas of progress regarding the definition of an environmental and social roadmap has been achieved. There is still some way to go in the area of employee training and retention, which is why we are once again engaging with the company. Biodiversity issues and more particularly our expectations in this area were discussed with the management team.

2 In 2020 and 2021, we were a lead investor in SCA, as part of the Non-Disclosure campaign of the CDP to represent the demand of some 30 investors wanting to encourage the group to respond to the annual CDP questionnaires on climate change and forests (particularly forest resource supply management). This transparency exercise is essential to measure the carbon footprint of our funds, which is why we are making this commitment for the long term. We were pleased to see that SCA responded to the Forestry questionnaire in 2021, and plans to respond to the Climate Change questionnaire in 2022. Our engagement with SCA is a long-term process, and we are monitoring progress closely.

The Climate and Biodiversity Meeting by LFDE

For this first edition of the Climate and Biodiversity Meetings, La Financière de l'Echiquier brought together experts, companies and clients in order to mobilise its entire ecosystem, to stimulate the exchange of better practices and identify concrete areas of work to fight against climate change and preserve biodiversity.

This event is part of the ambitious climate and biodiversity strategy adopted by LFDE in early 2021. It allows us to consolidate our commitment towards all of our stakeholders.

On this occasion, 3 workshops were organised:

- 1. EUROPEAN TAXONOMY:** In addition to the theoretical update on the subject, these discussions allowed companies to exchange on the difficulties encountered. More particularly, the investors highlighted the educational role that companies should play in this respect.
- 2. BIODIVERSITY:** The topics discussed included: the additional cost of investing in biodiversity compared to less committed competitors, the consideration of these issues at the highest decision-making level and the difficulty of accessing quality data to measure and communicate its impact.
- 3. CLIMATE STRATEGY:** This workshop provided an opportunity to review the main challenges of developing an ambitious climate strategy, both in terms of reporting, the necessary resources for mobilisation, governance and external visibility.

Participating companies:



4 A patient investor

As an impact investor, ECBIE is a patient shareholder through **long-term equity investments in companies**. It is important for us to offer a certain capital stability to the companies in which we invest. This stability is essential because it allows them to implement their sustainable strategy more serenely by taking long-term decisions and actions. This long-term holding gives us the opportunity to accompany them in their development, by supporting, for example, the various capital transactions that punctuate the life of these companies. This shareholder stability also allows us to build a relationship of trust with their management teams, which is an important condition for a constructive shareholder dialogue over the long term, particularly on climate and biodiversity issues.



27 companies present in the fund at the end of 2021 were already present at its launch in 2020, **representing 73% of portfolio companies**.



25% of the portfolio was renewed during 2021*.

Impact investing does not mean passive investing. For example, the fund management team may decide to divest a company for financial reasons, but also in the event of controversy or insufficient impact. In ECBIE, companies in the Transition pocket may be divested if their MCB Score does not deteriorates or does not improve as a result of our engagement.

A look back at some of the divestments that took place in 2021



◆ No longer up to the task?

Despite intact financial cases, we divested from the Danish pharmaceutical company Novo Nordisk and the French industrial group Legrand, considering that their climate and biodiversity practices were no longer sufficient for their pioneer status. Their competitor AstraZeneca and Schneider Electric were preferred for their strong commitments on these issues.

◆ Controversy, divestment and engagement!

We divested from Philips, a leading healthcare technology company, following the announcement of a voluntary withdrawal of several million breathing and sleep apnea devices due to potential health risks for users. Despite this divestment, we continue to engage with the company, particularly on the quality of its crisis communication and the implementation of corrective measures..

◆ What about biodiversity?

Kerry Group, a global leader in ingredients for the food industry, was removed from the portfolio following the strengthening of biodiversity in our MCB Score. We felt that the group's identification and management of biodiversity risks was insufficient, given their level of dependence on biodiversity.

PHILIPS

KERRY

*Calculation formula = (number of securities entering in 2021 + number of securities exiting in 2021)/(2*average number of securities in portfolio in 2021)
Source: LFDE - Data as of 31/12/2021

5 Impact, climate and biodiversity: an active participation on these issues

LFDE's pioneering approach often leads us to explore investment themes that are still underdeveloped and therefore not very mature. This is the case for impact investing, which we have been committed to since 2017, but also for the protection of biodiversity, which is at the heart of ECBIE's impact objective. We are convinced that the deployment of these topics must be part of a demanding framework that will allow these investments to develop with full credibility. It will thus encourage the redirection of financial flows towards companies that have a positive impact on society. To this end, our teams are actively involved in contributing to discussions and working group to promote the best practices in listed impact investment as well as in climate and biodiversity issues.

In 2021, we participated in 10 working groups including:

Climate



Fossil fuel working group at the AFG

Alongside 18 investors, we contributed to the AFG's work on fossil fuels. This group has produced a guide for asset management companies that presents ideas on how invest in fossil fuels in order to contribute to the objective of carbon neutrality and play a leading role in supporting the transition of companies.

Biodiversity



Impact Assessment and Engagement to Biodiversity at the Finance for Biodiversity Foundation

Having joined the Finance For Biodiversity Pledge in 2020, LFDE is committed to integrating biodiversity issues into its analyses, impact measurements, engagement with companies and reporting by 2024. To achieve these objectives, LFDE is actively participating in two work groups, about measuring our impact on biodiversity and on the best ways to engage with companies on the subject.

Education and external outreach

We believe that we also have a role to play in raising awareness of impact investing among our clients and enabling the growing product offering to find its market. To this end, we have developed a number of educational innovations in recent years:



The SRI School by LFDE

This programme, designed to raise our client's awareness of sustainable finance, has trained **more than 600 people in 2021** and **more than 1,700 since it was introduced in 2019**!



The Podcast "Un pied devant l'autre"

This educational podcast on sustainable finance features a variety of experts who aim to provide step-by-step guidance to listeners wishing to align their values with their investments. 8 episodes have already been released, including one specially dedicated to impact finance, with already **more than 4,300 listenings**!



The press coverage

2021 was marked by **more than 160 press articles** and several **events** dedicated to ECBIE and impact. A great visibility which marks the growing importance we give to these subjects.

A growing impact range



Contributing to the growth of impact investing in listed markets also involves our participation to the development of this offer. It is based on an innovative and evolving [impact doctrine](#) that reflects our demanding positioning. Our range of impact funds has welcomed two new strategies in recent months:

Echiquier Impact et Solidaire*, a solidarity impact mutual fund with the Finansol label. It supports actors who contribute to the UN's SDGs, either in its

listed pocket (via investments similar to those of EPIE), or in its unlisted pocket via the investment of a maximum of 10% of its assets in Amundi Asset Management's unlisted impact fund "Finance et Solidarité".

Echiquier Health Impact for All* invests in companies in the health sector around the world that promote access to health. The impact methodology of this fund was created in collaboration with Better Way.

*Investing in financial markets involves a risk of capital loss. For more information on these funds, please refer to the prospectus available on the La Financière de l'Echiquier website.

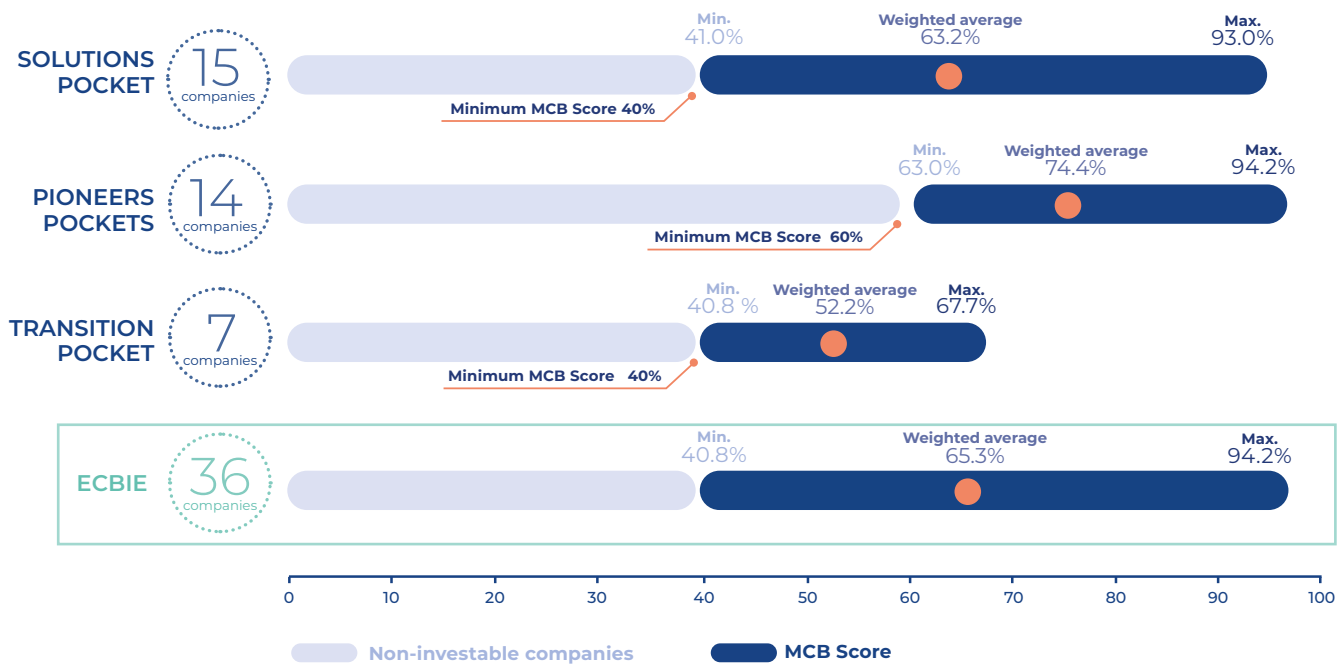
Overall view of the portfolio's contribution to the transition



Measurability, (noun) : Impact measurement or measurability refers to the assessment of the social and/or environmental externalities of investments, in light of the impact objectives intentionally pursued by the investor*.

Through its investments, ECBIE aims to contribute to carbon neutrality and the preservation of biodiversity by supporting listed companies that provide solutions, demonstrate best practices or undertake their transition. The assessment of impacts can be carried out at the aggregate level of the portfolio, by pocket, or for each company. This step is essential, since as an impact investor, accountability to end investors is of paramount importance.

Distribution of MCB Scores by pocket



The MCB Score is a proprietary methodology of LFDE to assess the maturity of companies in taking into account climate change and biodiversity issues. As illustrated in this graph, the 3 pockets of the fund have very different and complementary profiles:

- Solutions companies** take climate and biodiversity issues into account in their strategy in very different ways. The common denominator is their production of goods and services that provide solutions to climate and biodiversity issues.
- The **companies in the Pioneer pocket** have rather high MCB Scores, with an average of 74% and a minimum of 63%, which is much higher than the other pockets of the fund. These companies are among the best in their sector in taking these issues into account.
- Conversely, **companies in transition** are starting to take climate and biodiversity issues into account, which de facto implies lower MCB Scores, the evolution of which will be important to follow over time.

Climate impacts of companies at the portfolio level

	Weighted average carbon intensity (in teqCO2)	Weighted average intensity of emissions saved (in teqCO2)	Eligible green share	Climate trajectory
Portfolio	189.1★	26.3★	49%★	1.6°C★
Index	189.7	15.1	22%	2.9°C

Source: Carbon4 Finance - Data as of 31/12/2021 with a coverage rate between 91 and 99%. The methodologies for these indicators are available in appendix 1. ★ = best performance

ECBIE outperforms its benchmark on all the climate indicators presented above.

- ♦ The portfolio companies emit slightly less CO2 than the benchmark (189.1 teqCO2 vs. 189.7 teqCO2) but achieve significantly higher CO2 savings (26.3 teqCO2 vs. 15.1 teqCO2). These **saved emissions** are the sum of the **emissions avoided** thanks to the company's products and services, compared to a reference scenario, and the **emissions reduced** thanks to an improvement in the efficiency of a production process. This results in a trajectory below 2°C.
- ♦ ECBIE's **eligible green share** is estimated at 49%. This means that 49% of the turnover of the companies in the portfolio is derived from activities considered by the European taxonomy as being **able to contribute substantially to the achievement of an environmental objective**. In order to know whether these activities are **indeed aligned** with the taxonomy, they will have to comply with its technical criteria and the DNSH*. We do not currently report this **aligned green share** (or **taxonomy alignment**) due to the limited availability and quality of the data at our disposal.

The Fund commits, within the framework of the French government's SRI label, to have a weighted average carbon intensity, for all scopes, according to Carbon4 Finance's WACI (Weighted Average Carbon Intensity) method lower than that of its benchmark.

Biodiversity impacts of companies at the portfolio level

27 portfolio companies representing 75.2% of the portfolio... have an impact on biodiversity. This involves assessing their Biodiversity Engagement score. **The weighted average of the "biodiversity engagement" pillar for these 27 companies is 11.5/30.** This score represents the average score of companies in the portfolio in terms of taking into account their impacts on biodiversity. The consideration of biodiversity is complex and less advanced than that of climate issues. The same is true for impact measurements. Few impact measurements exist to date on biodiversity compared to climate.

Mean Species Abundance (in « part per billion » or ppb★)

Portfolio	Index
61.1★	86.7

The MSA indicator in ppb★ represents the aggregate impacts of companies on biodiversity. The higher the MSA indicator, the greater the impact of the companies' activities on a large number of ecosystems, plant, animal, marine and terrestrial species. According to this indicator, the fund has a **lower impact on biodiversity than its benchmark.**

Source: Carbon4 Finance - Data as of 31/12/2021 with a coverage rate of 87% for ECBIE and 95% for the index. The methodology is available in appendix 1. * DNSH = Do No Significant Harm. This means that a company contributing to the taxonomy through its activities should not negatively affect any other objective of the taxonomy. ★ = best performance

2 Ex ante Impact Targets and Remuneration

Aligning the financial interest of funds managers

In 2021, in order to remain at the forefront of market practices, we have integrated **two ex ante impact objectives into the variable remuneration policy of the impact funds managers. These objectives will be measured over a three-year period.** This approach, inspired by non-listed investments, aims to reinforce ECBIE's intentionality and to align our interests with those of our clients, on the impact thesis of the fund. **The two impact objectives are equally weighted.**

The concerned part, which corresponds to a variable remuneration supplement, is indexed to the ex ante impact objectives and operates in a **progressive** and linear **manner with a minimum threshold** from which the manager will start to receive part of this variable remuneration. For example, from an increase of 6 to 7 points in the MCB Score, he will receive half the envelope linked to this objective. He will not receive anything below that. Any methodological revision with consequences on the metrics linked to the ex ante objectives must be approved in advance by the Board of Directors of the Echiquier Impact SICAV.

Over a 3-year period (2022/24) the objectives are:

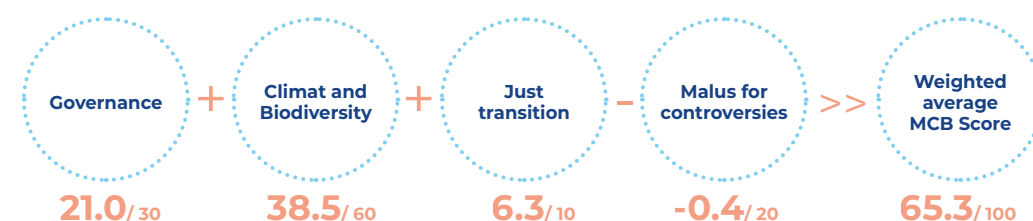
1
12pts
increase in the
weighted average
MCB Score of the
portfolio

2
10 cases
of successful
engagement
on climate and/or
biodiversity

Where are we in achieving our objectives?

The aim of this approach is to encourage managers to improve the MCB Score of portfolio companies by committing them to climate and biodiversity issues and by excluding companies that do not make sufficient progress. Each year, the progress towards these targets will be reported in this impact report. As the starting point for measuring these targets is 31/12/2021, this year's report will be the starting point for this monitoring.

1. Starting point of the ECBIE MCB score on 31/12/2021



The weighted average MCB target score to be achieved on 31/12/2024 will therefore be **77.3/100**.

2. Starting point for ECBIE's commitment on 31/12/2021



What is a successful engagement case?

A successful engagement must enable the company to make progress on one of the dimensions of the impact of the MCB Score. LFDE's contribution to the success of the engagement must be demonstrated, in particular through the transcription of exchanges between the company and the team and their recurrence. The achievement of this objective will be independently monitored and validated by the SICAV's Board of Directors and the LFDE IR Research team.

Impact of Investee Companies

We have decided to illustrate the impact of the companies invested in through a series of zooms, presenting each of the three pockets of which ECBIE's portfolio is composed: Solution, Pioneers and Transition.

They aim to highlight the contribution of the companies in the Echiquier Climate & Biodiversity Impact Europe portfolio, as of 31/12/2021, to the climate and biodiversity issues as measured in the Climate and Biodiversity Maturity Score.

Each focus is separated into two sections. The first section analyses the positive contribution of portfolio companies to climate and biodiversity issues by pocket, using aggregate impact indicators that reflect the key characteristics of these pockets. The second section focuses on the specific case of a company and illustrates its contributions to the pocket to which it belongs.

The information presented is taken from the latest company publications or from the analysis and dialogue of the LFDE teams with these companies. Unless otherwise indicated, the percentages shown are weighted by the weight of each company in the portfolio or within each pocket. The data used is for the year 2021, unless otherwise specified. The data may vary over time.

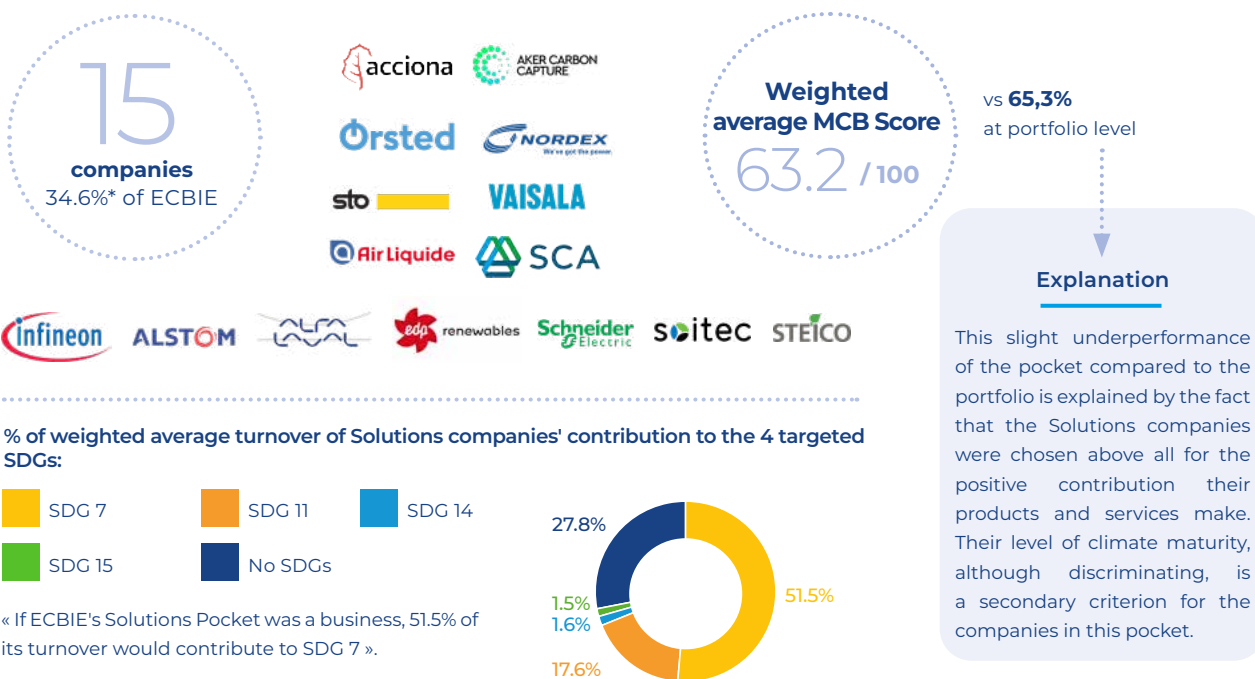
The ESG scores as well as the Climate Maturity and Biodiversity scores are the latest available, as the analyses are updated every 2 years. The same applies to the percentage of turnover contributing to the SDGs, collected at the time of the analysis. Given the periodicity of the analyses, the oldest underlying data refers to the 2019 financial year.

Investors are advised that investing in the sub-fund does not generate a direct impact on the environment and society, instead, the sub-fund seeks to select and invest in companies that meet the specific criteria defined in the management strategy.

Solutions Pocket

Presentation of the pocket and its methodology

Solutions companies are those that contribute positively through their products and services to reducing their customers' CO2 emissions (production of green electricity, equipment improving the energy efficiency of buildings and production processes, sustainable mobility, products that improve air quality, etc.) and/or to preserving or even restoring aquatic and terrestrial biodiversity (waste treatment and recycling, water purification, sustainable forest management, new agricultural methods, etc.)



	IN THE SOLUTIONS POCKET		AT THE SCALE OF ECBIE		AT THE INDEX LEVEL	
	Data	Coverage rate	Data	Coverage rate	Data	Coverage rate
ELIGIBLE GREEN SHARE Source : Carbon4 Finance	58% ★	95%	49%	91%	22%	94%
CIR (CARBON IMPACT RATIO) Source : Carbon4 Finance	0,26 ★	95%	0,14	93%	0,08	94%

The eligible green share corresponds to the percentage of turnover weighted average turnover of portfolio companies from activities considered by the European taxonomy as being able to substantially contribute to the achievement of an environmental objective.

As of 31/12/2021, **58%** of the turnover of Solutions companies is considered **eligible for the European taxonomy**.

The CIR (Carbon Impact Ratio) is the ratio of a company's saved emissions (either through more efficient processes or low-carbon products or services) to its induced emissions. For a given company, a CIR greater than 1 implies that the activity saves more GHG emissions than it induces.

As of 31/12/2021, the Solutions pocket contains companies that are on average **more relevant than others in the transition to a low carbon economy**.

* Corresponds to the sum of the weights of the "Solutions" companies in the portfolio at 31/12/2021, adjusted for cash.

A flagship company in the Solutions Pocket



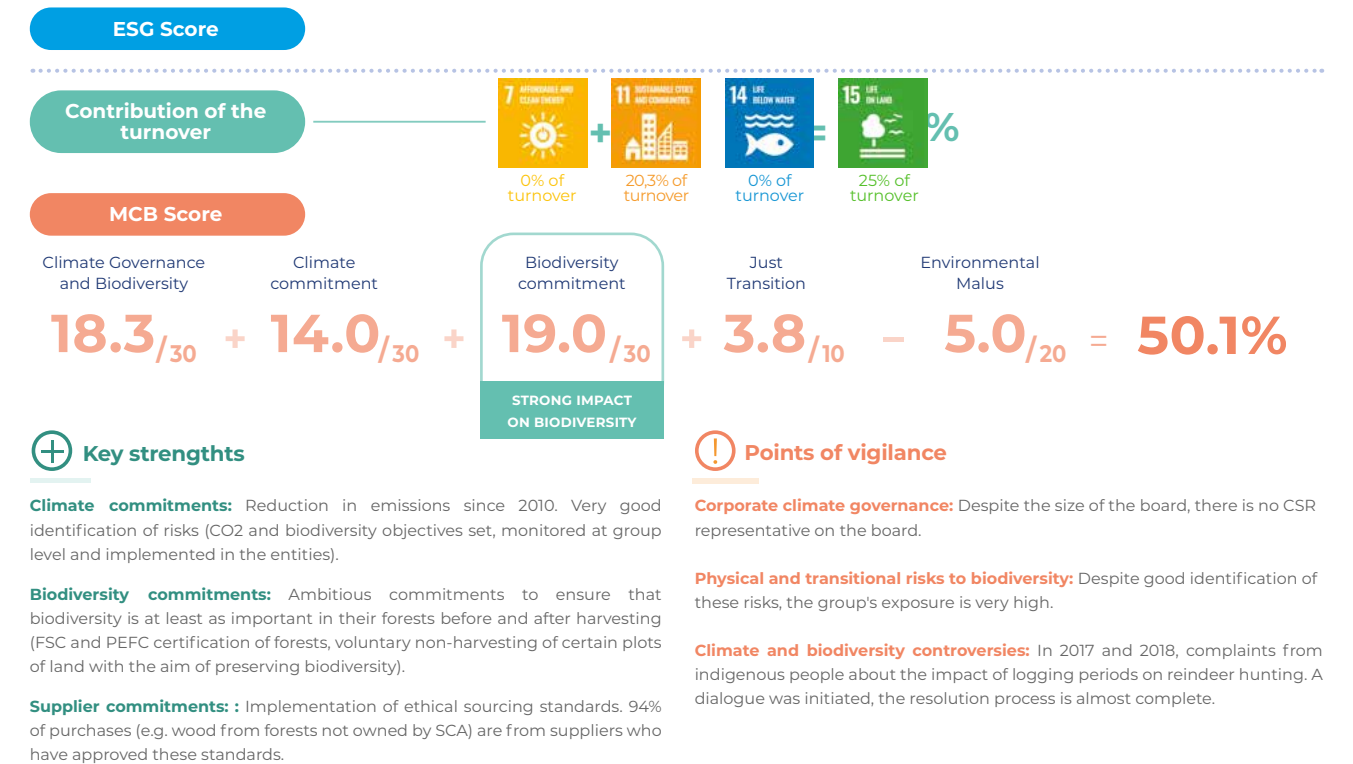
This forest industry company markets products from its forests (solid wood for construction, printing paper, wood pulp, etc.) as well as hygiene products (paper towels, tissues, sanitary towels, etc...)

Portfolio company as of 31/12/2021

SCA has a place as a "Solutions" company as it generates a positive environmental impact through its activities, both through the growth of its forests which capture and store CO2, but also through the production and sale of renewable materials which substitute for plastic (cardboard, pulp) and metal (timber).

	TARGET	ACHIEVED
CLIMATE COMMITMENTS		
Climate benefit net of induced emissions*	15 million ton of CO2 in 2030	10,5 million ton of CO2 in 2021
Reduction of GHG (scope 1,2 and 3)	-50% by 2030 compared to 2019	-16% by 2021 compared to 2019
Carbon sequestration through forest growth	Cutting speed of trees below forest growth	5,4 million ton of CO2 in 2021 (+22%)
BIODIVERSITY COMMITMENTS		
Sustainable management of forests	75% of wood will come from certified or harvested forests using SCA conservation methods by 2030	72% of the woodwork comes from certified or harvested forests, using SCA** conservation methods

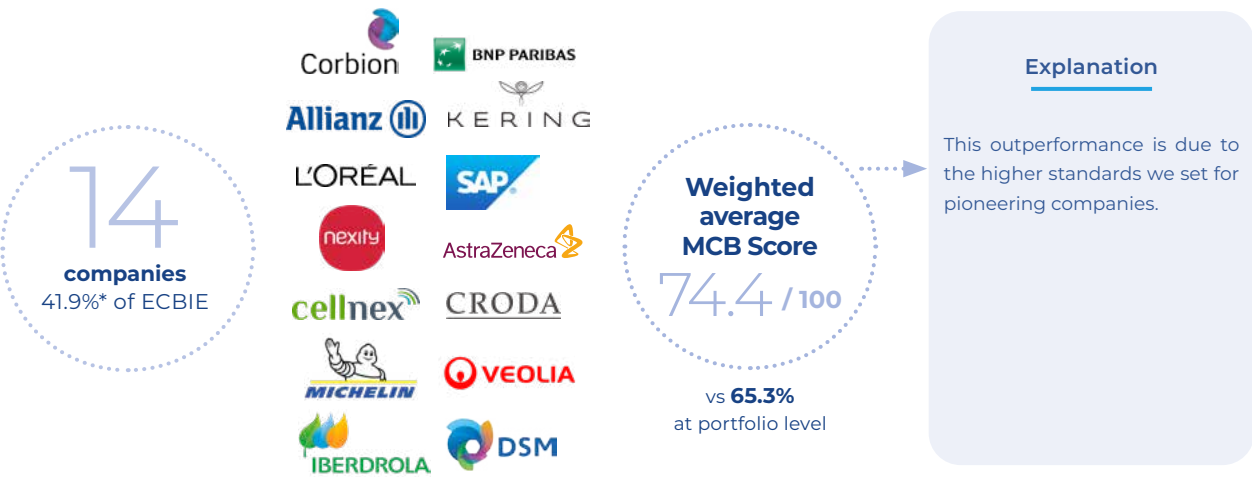
* SCA's net climate benefit from induced emissions is the sum of the emissions captured by its forests and the emissions avoided by the sale of its renewable products that substitute for more polluting alternatives, less the emissions induced by its activity.
** SCA conservation method: When cutting, maintain buffer zones and groups of trees to allow forest species to pass from the old forest to the next generation.



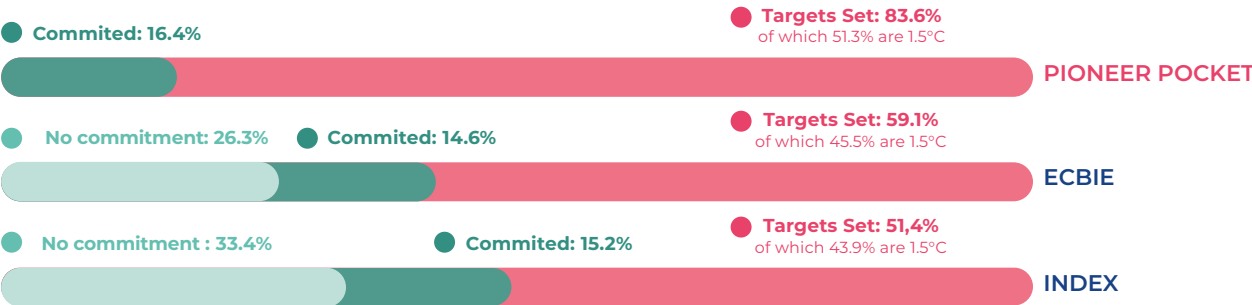
Pioneers Pocket

Presentation of the pocket and its methodology

The pioneer companies are the most mature in their sector. Their impact and dependence on climate and biodiversity are well understood and day-to-day business is already well positioned on the 2°C trajectory required by the Paris Agreement. As they have a systemic impact, they are key to moving their ecosystems towards better practices.



Level of progress of companies in setting a climate roadmap, in relation to SBTi (100% coverage rate)



SBTi (Science Based Targets initiative) is an association whose mission is to tell organisations how fast they need to reduce their greenhouse gas (GHG) emissions to avoid the worst effects of climate change.

They can have two statuses:

- Committed:** Organisations that have **publicly committed** to a scientific goal in line with SBT within 24 months.
- Targets Set:** Organisations whose **alignment targets have been independently and scientifically validated by SBTi**.

Three levels of objectives are possible:

- 1.5°C (most demanding level)
- less than 2°C
- 2°C

As of 31 December 2021, **100%** of the companies in the Pioneer pocket had implemented a climate roadmap. **83.6%** of them had obtained SBTi validation of their climate roadmap, including **51.3%** with a **1.5°C** target. These figures are lower at the index level of the fund, which illustrates our level of requirement on this criterion in the selection of companies within this pocket.

* Corresponds to the sum of the weights of the pioneer companies in the portfolio at 31/12/2021, adjusted for cash.

A flagship company in the Pioneers Pocket

CRODA

Croda is a chemical company whose products are used in the pharmaceutical sector, in energy technology and for crop protection. Its products, such as biostimulants, improve the quality, yield and shelf life of crops by using the natural processes of plants and their responses to stress. Portfolio company as of 31/12/2021

Croda has its place as a pioneer company as it is leading ambitious initiatives in a sector recognised as difficult to decarbonise and with a strong impact on biodiversity. Indeed, the chemical industry is the third largest contributor to CO2 emissions in the industrial sector. By setting ambitious targets for the reduction of its greenhouse gas emissions and by implementing a strategy to biosource its products, Croda is positioning itself as a pioneer in its sector and is helping to meet the challenges that the industry is facing.

	TARGET	ACHIEVED
CLIMATE COMMITMENTS	3rd chemical sector company whose 1.5°C climate roadmap has been validated by SBTi.	-12.7% reduction in GHG emissions (scopes 1 and 2) over 4 years, i.e. since 2018. The recommended reduction in GHG emissions for the chemical industry is 3% per year (i.e. a reduction of around 11.5% over 4 years)*. Croda therefore outperforms this sectoral recommendation.
BIODIVERSITY COMMITMENTS	By 2030: 200,000 hectares of additional land area saved compared to 2019 Thanks to its biostimulants, adjuvants and seed coatings that boost soil yields, Croda enables the use of less land for the same crop yield. This land saving is greater than the land required to manufacture its products.	In 2021: 33,734 hectares of additional land were saved compared to 2019 (through the application of crop protection and seed improvement technologies). 60% of this land is in Asia and Latin America, where the demand for high productivity increases the threat of deforestation.
	75% of the organic raw materials used by Croda will be biosourced by 2030.	69% of the organic raw materials used by Croda are biosourced.

* Source: Decarbonising the French Chemical Industry - Final Report The Shift Project



Key strengths

Corporate climate governance: Indexation of executive remuneration to sustainability indicators (scope 1 and 2 CO2 emissions, surface area of protected lands, etc.).

Strategy: Ambitious greenhouse gas reduction targets that are well on track. Quarterly meeting of the Sustainability Committee, composed of leaders from all of Croda's business lines.

Transitional and physical risks linked to climate change and the loss of biodiversity are well identified by the group. Croda has a strategy to reduce these risks and even contributes by developing solutions, notably through its seeds.

Important offer of biosourced products, from which Croda can benefit in order to be part of a transition logic.

Points of vigilance

Corporate climate governance: The Board of Directors would benefit from having a profile with expertise in environmental issues.

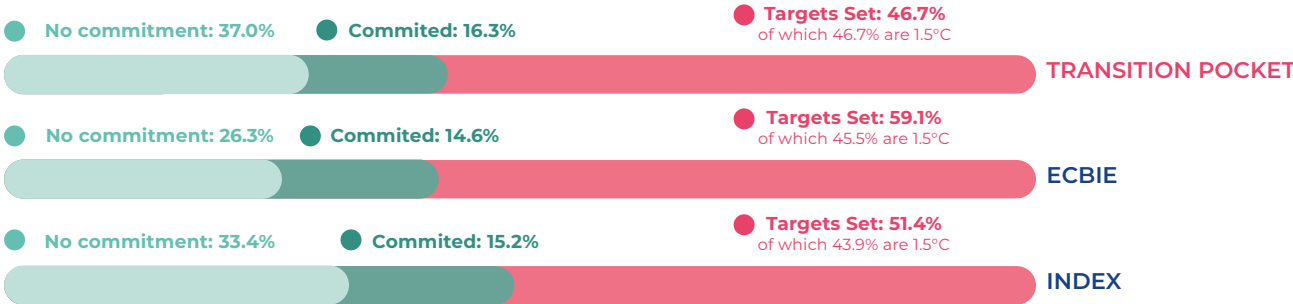
Transition Pocket

Presentation of the pocket and its methodology

Companies in transition are beginning to implement measures in favour of climate and biodiversity, admittedly less accomplished ones, but whose efforts reflect a positive inflection that it is relevant to support and challenge.



Level of progress of companies in setting a climate roadmap, linked to SBTi (100% coverage rate)



SBTi (*Science Based Targets initiative*) is an association whose mission is to tell organisations how fast they need to reduce their greenhouse gas (GHG) emissions to avoid the worst effects of climate change.

They can have two statuses:

- Committed:** Organisations that have publicly committed to a scientific goal in line with SBT within 24 months.
- Targets Set:** Organisations whose alignment targets have been independently and scientifically validated by the SBTi.

Three levels of objectives are possible:

- 1.5°C (most demanding level)
- less than 2°C
- 2°C.

As of 31/12/2021, **46.7%** of the companies in the Transition pocket had obtained validation of their climate roadmap by the SBTi. Although encouraging, this share is lower than that of the portfolio (**59.1%**). This can be explained by the fact that Transition companies are lagging behind on climate issues. This indicator is therefore key in our monitoring of their commitment.

* Corresponds to the sum of the weights of the transitional companies in the portfolio at 31/12/2021, adjusted for cash.

A flagship company of the Transition Pocket

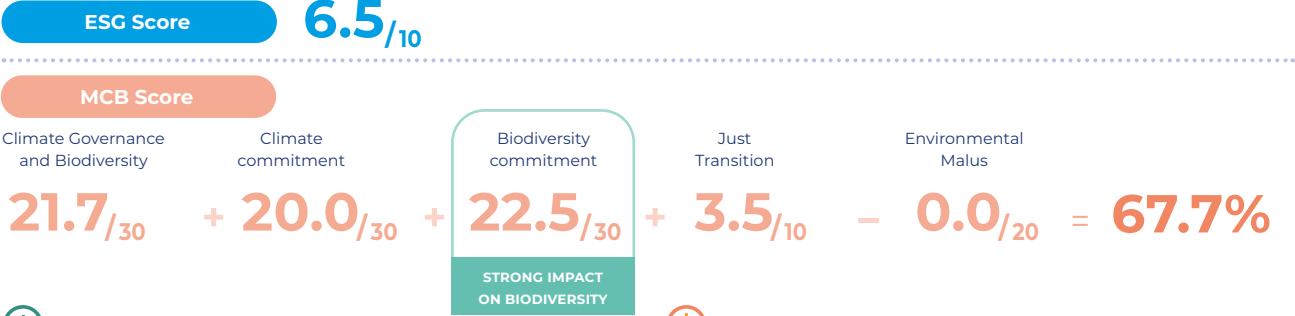
NESTE

Neste is a Finnish group specialising in the refining of fossil fuels, committed to a profound transformation of its business to become a 100% renewable player, notably through the production of renewable diesel. Portfolio company as of 31/12/2021

Neste's renewable diesel is produced from hydrotreated vegetable fats and oils. It contributes to meeting climate targets by reducing greenhouse gas emissions without vehicle or infrastructure modifications. The fuel can be used in aviation, road transport, or as a feedstock for various polymers and chemicals.

CURRENT CONTRIBUTION	39% of turnover attributable to renewable products that's 20 points more than in 2019, reflecting the strong transformation dynamic of the group.	Carbon performance of renewable diesel: -90% greenhouse gas emissions compared to fossil diesel (analysis from extraction to use).	
CLIMATE COMMITMENTS	-50% of absolute CO2 emissions in scope 1 and 2 by 2030 (vs 2019).	-50% in emissions from purchased products (scope 3) by 2040 (vs 2020).	Commitment to 1.5°C as soon as the SBTi methodology is developed for the oil and gas industry.
BIODIVERSITY	0% conventional* palm oil by 2023. Palm oil represents only 7% of the renewable diesel feedstock mix. *Conventional palm oil is non-organic oil. The oil used by Neste to date is conventional, but 100% traceable and certified by ISCC (International Sustainability and Carbon Certification) and RSPO (Roundtable on Sustainable Palm Oil).		To have a net positive impact on biodiversity for its new activities and its entire value chain by 2040.

LFDE'S AREAS OF PROGRESS	<ul style="list-style-type: none">Increase the size of the Board by appointing a director with expertise in alternative fuelsHave the carbon trajectory certified by SBTi (from Committed to Targets set)Adding a criterion linked to the reduction of CO2 emissions in the CEO's remuneration
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Key strengths

Climate governance: Climate and biodiversity are at the heart of the group's strategy and are monitored at the highest level (Executive Committee and Board of Directors).

Transition risks are well identified, particularly with regard to the use of palm oil (quota on renewable diesel, acceptability of certain waste products in biofuels, indirect land use changes) and well addressed through the commitment to move away from conventional palm oil by 2023.

Physical risks are well identified (e.g. drought affecting palm oil crops) and well addressed (use of derivatives to cover the risk of fluctuating commodity prices, diversification of raw materials: algae, cooking oil, municipal waste, etc.).

Points of vigilance

Biodiversity impact: The group has a strong potential impact on biodiversity, particularly in relation to the use of palm oil as a raw material.

Climate governance: Lack of an environmental expert profile on the Board of Directors.

Transition risk: There are significant transition risks (historical fossil fuel refining activity, acceptability of certain waste products in biofuels, etc.) which must be managed properly.

Just transition: Low affordability of renewable diesel.

Breakdown of the MCB Score

Description

Company focus

Profile of the pocket

Impact indicators

Appendices

Appendix 1 ♦ Details of the climate and biodiversity methodologies

Climate indicators

2°C alignment: This indicator positions the portfolio on a temperature scale ranging from 1.5°C to 6°C. At the fund level, each company is given a rating (CIA score) depending on its line of business, its past climate performance and its decarbonisation strategy. This score is then associated with a temperature between 1.5 and 6°C. The correspondence table between CIA score and temperatures was constructed on the basis of a study of two universes of companies: a universe representing the current economy (3.5°C trajectory) and a universe representing a low-carbon economy (2°C trajectory).

Eligible Green Share (EGS): This indicator represents the share of the company's turnover that comes from activities that can substantially contribute to the achievement of an environmental objective of the European taxonomy. At this stage, these are climate change mitigation and adaptation objectives covering activities such as building renovation and wind turbine manufacturing.

$$EGS = \sum_{i=1}^n \left(\frac{\text{Amount invested}_i}{\text{Portfolio AuM}} \times EGS_i \right)$$

In order to know whether these activities are indeed aligned with the taxonomy, they will have to meet the taxonomy's technical criteria precisely and not negatively affect the other objectives of the taxonomy - also known as DNSH (Do No Significant Harm). We do not currently report this green share (or taxonomy alignment) due to the limited availability and quality of data at our disposal.

Induced emissions intensity (carbon footprint) of the portfolio: The carbon intensity of a company is calculated by dividing the greenhouse gas emissions induced by its activity (scope 1, 2 and 3) by its enterprise value. To calculate the carbon footprint of our funds, we use the weighted average of the carbon intensities of the companies in the fund.

$$\text{Carbon intensity of the portfolio} = \sum_{i=1}^n \left(\frac{\text{Value of the investment}_i}{\text{Net assets of the Fund}} \times \frac{\text{Saved Carbon emissions Scopes 1, 2 et 3}_i}{\text{Value of the company}_i} \right)$$

Portfolio saved emissions intensity: A company's saved emissions intensity is calculated as the ratio of its saved emissions to the company's value. These saved emissions are the sum of the emissions avoided by the company's products and services (compared to a baseline scenario) and the emissions reduced by improving the efficiency of a production process.

$$\text{Portfolio saved emissions intensity} = \sum_{i=1}^n \left(\frac{\text{Value of the investment}_i}{\text{Net assets of the Fund}} \times \frac{\text{Saved Carbon emissions Scopes 1, 2 et 3}_i}{\text{Value of the company}_i} \right)$$

Carbon Impact Ratio (CIR) : CIR is the ratio of a company's saved emissions to its induced emissions. This indicator makes it possible to assess the relevance of a company's activity in relation to the challenges of combating climate change. The higher the CIR, the more GHG emissions the company saves compared to what it induces and consequently the more relevant its activities are in the transition to a low-carbon economy.

$$\text{Portfolio CIR} = \sum_{i=1}^n \left(\frac{\text{Saved CO2 emissions}_i}{\text{Induced CO2 emissions}_i} \times \text{Weight of the company in portfolio}_i \right)$$

Biodiversity indicators

MSAppb★ per billion euros invested: This indicator measures the impact on biodiversity of a company (or portfolio). It is expressed in MSAppb★ (Mean Species Average part per billion, i.e. the average number of species observed in a given environment, on a standardised surface) per billion euros invested. The MSA is an indicator ranging from 0 to 100% measuring the preservation of an ecosystem, provided by the GLOBIO model (Global Biodiversity Model For Policy Support). An MSA of 100% corresponds to a primary forest, while an MSA of 0% corresponds to a parking. The MSAppb★ presents the loss of biodiversity on a standardised surface and makes it possible to aggregate the different impacts of a company or a portfolio, both terrestrial and aquatic, over different time horizons (present and future impacts).

Company A's MSAppb ★ allocated to the portfolio = MSAppb per billions euros of enterprise value × amount invested × 10⁻³

All of these indicators are provided by Carbon4 Finance. To find out more about the methodologies used, we invite you to visit their website: <https://www.carbon4finance.com/>

Appendix 2 ♦ Examining the companies in the portfolio

		Country	Weight* in portfolio (%)	ESG score	MCB score (%)	Characteristics of the Climatee profile	Details of the MCB Score	Company description	Biodiversity and Climate Contribution	Year of entry in the portfolio
Pioneers	Allianz		3.26%	8.1	73.0	SBTi Committed	Governance 18.3% + Climate 50.0% + Biodiversity 0.0% + Fair Transition 5.0%	World leader in property and damage insurance.	On addition to excellent identification of climate risks, the group has demonstrated excellent maturity in its climate strategy, which now includes a biodiversity component.	2020
	AstraZeneca		3.60%	7.3	73.5	SBTi Targets Set (1.5°C)	Governance 22.5% + Climate 50.0% + Biodiversity 0.0% + Fair Transition 5.0%	Pharmaceutical group specialising in non-communicable diseases, offering treatments in 7 major therapeutic areas.	As a pioneer in its sector, the company has set ambitious climate targets and is highly transparent about its physical and transition risk management.	2020
	BNP PARIBAS		3.42%	6.0	66.0	SBTi Committed	Governance 21.0% + Climate 40.0% + Fair Transition 5.0%	International banking group.	Climate governance is excellent, with a remuneration scheme that includes climate criteria and board members who are experts in these issues. The group has committed to reducing to zero its credits to companies whose main activity is related to the unconventional oil and gas sector or thermal coal by 2040.	2020
	cellnex		2.80%	6.9	66.7	SBTi Targets Set (1.5°C)	Governance 16.7% + Climate 45.0% + Fair Transition 5.0%	Company specialised in telecommunication infrastructures, in particular in the management of telecommunication masts.	The company's 2021 energy transition plan includes climate commitments aligned with a 1.5°C scenario and excellent identification of its climate risks.	2020
	Corbion		1.57%	6.8	63.0	SBTi Targets Set (2°C)	Governance 14.0% + Climate 23.0% + Biodiversity 23.0% + Fair Transition 3.0%	World leader in the production of lactic acids and ferments.	A pioneer in climate and biodiversity issues despite its modest size, it was one of the first companies to join SBT for Nature. Corbion is the leader in the search for alternatives to plastics, particularly biodegradable bioplastics.	2021
	CRODA		4.00%	7.8	67.2	SBTi Targets Set (1.5°C)	Governance 24.2% + Climate 22.0% + Biodiversity 16.0% + Fair Transition 5.0%	Chemical company that specializes in ingredients for the cosmetics and health sectors.	Croda has a climate strategy and is committed to a number of initiatives to decarbonise its business. The raw materials used to manufacture the chemicals marketed by Croda are 69% biosourced.	2021
	IBERDROLA		2.90%	7.8	69.7	SBTi Targets Set (1.5°C)	Governance 24.2% + Climate 23.0% + Biodiversity 20.0% + Fair Transition 7.5% - Controversies 5.0%	Company specialised in the production, distribution and marketing of electricity and natural gas.	Climate issues are embodied at the highest level of the company and the group's strategy is clear: to massively develop renewable energy.	2020
	KERING		2.14%	6.7	94.2	SBTi Targets Set (1.5°C)	Governance 24.2% + Climate 30.0% + Biodiversity 30.0% + Fair Transition 10%	Global player in the luxury industry.	A pioneer in its sector on climate and biodiversity, Kering has been working for a long time on its sourcing and manufacturing processes to reduce its impact on biodiversity and its CO2 emissions. It is part of many initiatives to improve the circular economy in the luxury sector.	2020
	DSM		3.97%	7.8	80.8	SBTi Targets Set (<2°C)	Governance 25.8% + Climate 30.0% + Biodiversity 20.0% + Fair Transition 5.0%	Manufacturer of ingredients for human and animal nutrition and for the pharmaceutical industry.	Ambitious climate and biodiversity targets have been set. DSM is working on the implementation of a circular economy, in particular with biosourced thermoplastics that can replace many metals in industrial applications.	2020
	L'ORÉAL		3.36%	8.2	80.2	SBTi Targets Set (1.5°C)	Governance 19.2% + Climate 56.0% + Fair Transition 5.0%	Industrial group of cosmetic products.	Its innovative approach to eco-design has made it one of the world's leaders in product life cycle management.	2020
	MICHELIN		2.35%	7.5	85.0	SBTi Targets Set (2°C)	Governance 25.0% + Climate 30.0% + Biodiversity 25.0% + Fair Transition 5.0%	A family-owned group that is one of the world's leading manufacturers and marketers of tyres.	The tyres designed by Michelin offer excellent road grip and considerably reduce fuel consumption. The group is also active in the protection of biodiversity, particularly in its rubber plantations.	2020
	nextia		2.24%	6.5	69.0	SBTi Targets Set (<2°C)	Governance 18.0% + Climate 26.0% + Biodiversity 20.0% + Fair Transition 5.0%	Leader in real estate development in France.	Nextia is integrating climate and biodiversity conservation into its strategy with ambitious and relevant objectives, differentiated by type of properties.	2020
	SAP		2.16%	7.1	76.7	SBTi Targets Set (1.5°C)	Governance 21.7% + Climate 50.0% + Fair Transition 5.0%	The world's leading publisher, developer, manufacturer and distributor of enterprise software.	SAP stands out for its progress towards carbon neutrality, its internal carbon price and its Green Cloud service.	2020
Solutions	VEOLIA		3.11%	7.1	78.7	SBTi Targets Set (<2°C)	Governance 26.7% + Climate 2.0% + Biodiversity 27.5% + Fair Transition 7.5% - Controversies 5.0%	Multinational company specialising in waste management and recovery.	The group's strategy is entirely focused on the ecological transition, which is reflected in its excellent climate and biodiversity governance. The policy is comprehensive: 1.5°C roadmap validated by the SBTi, internal carbon price and environmental and biodiversity impact reduction targets included in the 2023 strategic plan.	2020
	acciona		1.99%	7.4	81.7	100%	Governance 24.2% + Climate 30.0% + Biodiversity 22.5% + Fair Transition 5.0%	Multinational industrial group operating mainly in the energy and infrastructure sectors.	Acciona's renewable energy plants generate 24.5 GWh of electricity, equivalent to the annual demand of 7.6 million homes.	2020
	Air Liquide		2.82%	7.5	65.3	20.4%	Governance 25.8% + Climate 20.0% + Biodiversity 14.5% + Fair Transition 5.0%	World leader in industrial gases for industry and health.	Air Liquide's hydrogen and biomethane production enables manufacturers to reduce their emissions and supports them in their efforts to achieve low-carbon production. The Group has recently implemented an ambitious biodiversity strategy demonstrating its commitment.	2020
	AMER CARBON CAPTURE		1.76%	6.1	43.3	100%	Governance 18.3% + Climate 20.0% + Fair Transition 5.0%	Provider of carbon capture technologies.	Carbon capture technologies contribute to the decarbonisation of polluting industries.	2021
	ALSTOM		2.30%	7.0	70.8	2.7% 24.0%	Governance 15.8% + Climate 50.0% + Fair Transition 5.0%	World leader in heat exchange, separation and fluid transfer.	Its products (ballast water treatment, exhaust gas cleaning, etc.) optimise the use of resources in a wide range of industrial applications in order to reduce the environmental impact of its customers.	2021
	ALSTOM		1.12%	7.1	58.2	74%	Governance 16.7% + Climate 27.0% + Biodiversity 7.0% + Fair Transition 7.5%	World leader in rail transport, producing and developing railway equipment, signage and maintenance services.	Rail transport is the least polluting means of transportation. As the leader in hydrogen trains, Alstom is also working on the eco-design of its products.	2020
	EDPR renewables		2.86%	7.8	77.0	100%	Governance 20.0% + Climate 25.0% + Biodiversity 22.0% + Fair Transition 10.0%	Global producer of renewable energy.	With 270 wind farms and 15 solar farms, EDPR contributes to the production of renewable energy and has demonstrated its ability to restore ecosystems, attesting to the sustainability of its business model.	2020
	Infineon		2.23%	7.8	41.7	43% 44%	Governance 14.2% + Climate 17.0% + Biodiversity 0.5% + Fair Transition 10.0%	Semiconductor manufacturer.	World leader in power semiconductors, widely used in electric vehicles, renewable energy and rail transport.	2020
	NORDEX		1.01%	6.5	60.7	100%	Governance 24.2% + Climate 14.5% + Biodiversity 12.0% + Fair Transition 10.0%	Leading manufacturer of onshore wind turbines.	Nordex's wind turbines are among the most efficient on the market, operating at temperatures as low as -30°C, limiting the intermittency of wind power, reducing electricity production costs and dependence on fossil fuels in a sustainable way.	2021
	Ørsted		2.19%	7.2	88.0	90%	Governance 27.5% + Climate 27.5% + Biodiversity 23.0% + Fair Transition 10.0%	World leader in offshore wind energy.	The most mature producer of renewable energy in terms of climate and marine biodiversity, where its offshore units are located.	2020
	soitec		2.21%	6.8	49.5	100%	Governance 17.5% + Climate 13.0% + Biodiversity 11.5% + Fair Transition 7.5%	World leader in the manufacture of SOI (Silicon On Insulator) wafers, which are essential for semiconductors.	The substrates produced by SOITEC on which the circuits for producing microprocessors are printed enable a drastic reduction in energy consumption, particularly in the automotive industry.	2021
	Schneider Electric		4.54%	8.4	93.0	73%	Governance 27.5% + Climate 30.0% + Biodiversity 28.0% + Fair Transition 7.5%	International industrial group offering energy management, automation and data centre management solutions.	Schneider Electric enables its customers to reduce their energy consumption and CO2 emissions through its products and services. 100% of the group's new projects are aligned with carbon neutrality objectives and have a positive environmental impact. The company is strongly committed to circularity in its value chain.	2020
	STEICO		1.60%	6.2	41.0	66%	Governance 15.0% + Climate 10.0% + Biodiversity 11.0% + Fair Transition 5.0%	Leader in wood fibre insulation.	The ecological insulators produced by Steico based of wood fibre help to fight against the thermal sieves.	2021
	sto		2.46%	6.0	40.3	100%	Governance 15.8% + Climate 10.0% + Biodiversity 7.0% + Fair Transition 7.5%	Leader in innovation and technical solutions for external thermal insulation.	STO's facade coatings have a very good environmental impact thanks to their excellent technical performance.	2021
Transition	SCA		1.99%	7.2	50.1	25% 20.3%	Governance 18.3% + Climate 14.0% + Biodiversity 19.0% + Fair Transition 3.8%	Europe's largest forest owner, producing and selling wood pulp, paper, cardboard and wood.	The company's forestry assets are managed responsibly (FSC or PEFC certified). The group uses cutting-edge technologies to optimise the use of natural resources, such as 3D scanning based on artificial intelligence to optimise logging. SCA goes beyond labels to preserve biodiversity, with around 10% of its forest area left untouched.	2020
	VAISALA		2.63%	6.6	44.5	40% 20%	Governance 18.0% + Climate 19.0% + Fair Transition 7.5%	World leader in meteorological and environmental measurement.	Vaisala's products enable important decisions to be made regarding energy efficiency, climate, recycling or air quality. Vaisala implements a life cycle assessment for each product.	2020
	ANTIN		1.96%	7.0	47.0	-	Governance 19.0% + Climate 20.0% + Fair Transition 8.0%	Private equity firm focused on infrastructure investment.	Through its investments, Antin invests in companies in the process of "decarbonisation" and focused on new infrastructures (solar farms, charging stations, smart cities, etc.), thus contributing to the transition of the economy.	2021
	ASML		3.55%	8.1	42.5	-	Governance 17.5% + Climate 15.0% + Fair Transition 10.0%	Manufacturer of lithography machines essential for the production of semiconductors.	ASML's lithography machines have the particularity of reducing the size and energy consumption of semiconductors used, for example, in the manufacture of electric vehicles and in renewable energy.	2020
	DASSAULT SYSTEMES		3.22%	7.2	54.7	-	Governance 22.2% + Climate 25.0% + Fair Transition 7.5%	Manufacturer of 3D design, engineering, modelling, simulation and data management software.	Dassault Systèmes' software enables the simulation of a wide range of environments to better develop products and analyse their life cycle, without having to produce polluting prototypes.	2020
	Deutsche Post		3.74%	6.9	40.8	-	Governance 15.8% + Climate 15.0% + Biodiversity 5.0% + Fair Transition 5.0%	German company specialized in transport and logistics.	Deutsche Post has a satisfactory climate policy that allows it to drastically reduce the carbon footprint of the logistics sector. However, the group's biodiversity policy is insufficient.	2021
	NESTE		1.68%	6.5	67.7	-	Governance 21.7% + Climate 20.0% + Biodiversity 22.5% + Fair Transition 3.5%	Company specialising in refining and renewable fuels.	The group is engaged in a profound transformation to become a 100% renewable player by 2030 in 3 activities: renewable polymers, renewable diesel for aviation and renewable diesel for road.	2020
	Nestlé		3.95%	7.5	67.2	-	Governance 24.2% + Climate 20.0% + Biodiversity 18.0% + Fair Transition 5.0%	Global agri-food group.	The Group's transition is underway. Nestlé has put considerable effort into ensuring a deforestation-free supply chain and is encouraging its suppliers to engage in regenerative agriculture for soil and biodiversity.	2020
	Sika		4.84%	7.8	51.0	-	Governance 20.0% + Climate 13.0% + Biodiversity 13.0% + Fair Transition 5.0%	Company that produces and commercializes building materials.	Sika's adhesives and insulation products are used to insulate buildings. The company is working to reduce its negative externalities with a first climate roadmap.	2020

This report was co-constructed with independent experts from Better Way. Better Way provided a critical view of the methodologies and contents, and carried out a verification of the figures in order to assess the accuracy of the information provided in the report. This verification of the figures covers between 20 and 50% of the consolidated data, which does not eliminate the risk of not detecting any significant anomaly.

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Better Way is a consulting firm that assists investors and their portfolio companies in their responsible or impact-oriented approach: from strategy definition to concrete implementation and evaluation.

Since 2020, Better Way has supported La Financière de l'Echiquier in the annual evaluation of its impact approach, both in terms of its funds and the investment management company's strategy.

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Pour plus d'informations, rendez-vous sur : <https://www.Better Way.net/>

Important information

The information provided in this report does not constitute investment advice, an investment proposal or a solicitation of any kind to enter into financial market transactions. Investors are encouraged to read the KIID and prospectus available at www.lfde.com in full in order to understand the risks and fees associated with investing in the fund prior to making any investment decision.

The fund is primarily invested in equities, so it presents a risk of capital loss and is also exposed to equity, discretionary management and currency risks.

Investors or potential investors are informed that they can obtain a summary of their rights and also file a claim in accordance with the procedure provided by the management company. This information is available in the official language of the country or in English on the "Regulatory Information" page of the management company's website: www.lfde.com.

Furthermore, the investor's attention is drawn to the fact that the management company may decide to terminate the marketing arrangements of its collective investment undertakings in accordance with Article 93a of Directive 2009/65/EC and Article 32a of Directive 2011/61/EU.

The fund takes non-financial criteria into account in a manner that is **significantly binding according to the definition of the Autorité des Marchés Financiers (AMF) in its Doctrine 2020-03**. The non-financial objective complies with the provisions of **Article 9 of the SFDR**. The securities mentioned in this report were invested as of 31.12.2021. Neither their presence in the portfolio nor their performance is guaranteed.

The proprietary ESG (Environment, Social, Governance) data as well as the Climate Maturity and Biodiversity scores are the latest available, in the knowledge that the analyses are updated every two years by the teams of La Financière de l'Echiquier. They are based on the latest public documentation available at the time of the analysis (annual reports, etc.), i.e. the oldest data is from the 2019 financial year.

This is because there is a one-year time lag due to the deadline for companies to publish their data. The other data relating to the impact of companies, unless otherwise indicated, is taken from the 2021 financial year. This data may vary over time.

From a methodological point of view, the term "impact" (as used in this report) does not have a scientific definition allowing for a specific change to be attributed to the fund's financing activities or action taken by the companies in the portfolio. Here we analyse the expected effects of our investments as well as the effects of actions taken by companies on their stakeholders (employees, clients, local communities living next to premises, etc.), based on data published by the companies.

LFDE and Better Way have strived to ensure as much transparency as possible on the figures presented (scope, source, etc.), as well as on the analyses and calculations based on these figures.

Investors are advised that investing in the subfund does not generate a direct impact on the environment and society; instead, the sub-fund seeks to select and invest in companies that meet the specific criteria defined in the management strategy.

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