Exclusion Policy

October 2024

LBPAM

Table of Contents

LBPAM

01 General principles

Objectives and scope of application

Engagement

LBP AM **implements an engagement policy** with companies to **help to develop the practices** in the real economy through a framework of clear and transparent expectations applied to all assets under management.

Exclusions

Nevertheless, **exclusions are established to limit the exposure of LBP AM to issuers whose activities, policies or practices i) are not compatible with our vision of a responsible economy, and ii) are deemed unlikely to evolve.**

The exclusion policy applies to **all open-ended funds managed by LBP AM.**

For dedicated funds and institutional mandates, the policy applies, in whole or in part, depending on the choices of investors.

Summary of exclusions

Four major typologies

Instruments

Speculative instruments on agricultural commodities

Normative

Companies for which there is an **unacceptable risk that they cause, or contribute or are linked to particularly sever violations of the fundamental ethical standards of LBP AM, or are involved in serious, verified and repeated controversies,** for which exclusion is the most effective means for reducing the risk of ongoing and future violations of these standards.

Companies excluded on the grounds of normative provisions for the **governance of the fight against money laundering and the financing of terrorism.**

Activities

Companies whose products or services, or the way in which they manage these activities, pose risks of severe harm to human rights or the environment and/or are not in line with the ESG performance objectives of LBP AM in the following areas:

- Controversial weapons
- Gambling
- Tobacco
- Thermal coal
- Oil and gas
- Pesticides
- Biodiversity (within high-risk sectors)
- Deforestation (within high-risk sectors)

Sustainability

Companies whose **practices**, in particular as regards social responsibility, environmental stewardship and good governance, pose **a risk of severe material financial impact for the company from a sustainability risk management perspective.**

Decision-making and policy implementation bodies

Sustainable Finance Committee

Validates the development and update of the exclusion policy, in line with the associated thematic or sectoral policies of LBP AM.

GREaT Committee

Oversees the cross-functional deployment of engagement and exclusion policies by deciding, according to the specific conditions set out in the various components of the exclusion policy on:

- **The adoption of recommendations from Workgroups** that have conducted enhanced due diligence as part of the normative exclusion policy.
- **The draft exclusion lists** based on a qualitative analysis (biodiversity, deforestations, material issues, etc.)
- **Exclusion lists based on a quantitative analysis** (regulatory exclusions, tobacco, gambling, thermal coal, oil and gas, pesticides).

ESG Committee

Informs, prioritises and organises enhanced due diligence on:

- **The risks of critical impacts on human rights, the environment or principles of good governance of the LCB-FT** and the risk of severe violations of the normative principles of LBP AM (normative exclusion policy)
- **The risk of sustainability** for companies stemming from poor ESG practices (materiality exclusion policy).
- **The formalisation of a recommendation** for management action (enhanced monitoring, score override, suspension, exclusion, reintegration, voting, etc.)

Implementation of exclusions

Management and implementation

- Dissemination of decisions to Risk and Management teams for implementing and binding integration into the investment decisions of LBP AM

Control

- Implementation of pre- and post-trade controls conducted by the Risk Management Department for all exclusions and suspensions

Analysis

- Periodic assessments of the impact of exclusions, particularly on the financial performance profile of the funds
- Assessment of whether updates of exclusion policy are warranted

Management of conflicts of interest

In line with the Règlement Général de l'AMF (RGAMF) [AMF General Regulation], the LBP AM Group has implemented a **policy for the management of conflicts of interest to ensure that the exclusion policy can be implemented independently.**

A conflict of interest is a situation whereby the LPB AM Group risks compromising the interests of one or more of its clients when carrying out its activities in order to favour the interests of: 1) its employees, 2) one of its directors, 3) a company with which it is linked directly or indirectly through a control relationships, or 4) another client.

A potential conflict of interest arising out of the implementation of the exclusion policy may result from pressure exerted on the LBP AM Group by companies with which it, its shareholders or employees maintain specific ties such as commercial, equity, capitalistic or influential relationships, so as not to exclude or not to adopt measures stipulated in the exclusion policy and its components.

To prevent such potential conflict-of-interest situations from occurring, the LBP AM Group has implemented the following measures:

- **Compliance with its implementation orientations, principles and procedures defined in this policy,** which guarantee the independence of the decision-making processes of the LBP AM Group. The decisions made by the GREaT Committee are consistently in line with the Group's exclusion policy.
- When an issuer is subjected to a qualitative analysis, in particular in the application of normative, biodiversity and deforestation exclusion policies, **the reported issues are subject to a multi-party analysis, the decision-making on recommendations is conducted collectively, and the DCCI [Compliance and Internal Control] is kept systematically informed.**
- **The recommendations and deliberations of the GREaT Committee are not shared outside the LBP AM Group, particularly with issuers or their representatives, for as long as they are not formally recorded and finalised in an IT tool.** Depending on further discussions and engagements with companies, the decision of the GREaT Committee may be revised in accordance with the guidelines and rules set out in this policy. Such changes, as well as their rationale, are documented in the meeting minutes.
- **Implementation of an internal review every two years.**

02 “Instrument” exclusions

Restrictions on agricultural commodities

LBP AM does not engage in trading financial instruments with agricultural commodities as their underlying asset, in line with its business activity programme.

Agricultural commodities comprise: cereals, whet, maize, rice, soybeans, timber, cotton and coffee.

- All instruments with agricultural commodities as the underlying asset are prohibited, whether for physical delivery or cash settlement.

Delegated Regulation (EU) 2017/591

03 Normative exclusions

03.1 Controversies and fundamental ethical standards

LBPAM

Fundamental ethical standards of LBP AM

LBP AM **may exclude companies for which there is an unacceptable risk that causes, or contributes or are linked to particularly severe violations of the fundamental ethical standards of the LPB AM Group, or are involved in serious, verified and repeated controversies,** for which exclusion is the most effective means for reducing the risk of ongoing violations of these standards.

United Nations Global Pact: A UN initiative launched in 2000 to encourage companies to bring their operations and strategies in line with Ten universal principles that cover four areas: human rights, the environment, international labour standards and the fight against corruption.

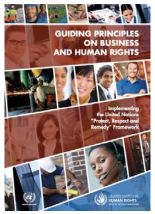
The 10 Principles of the UN Global Compact

Human Rights 1: Businesses should support and respect the protection of internationally proclaimed human rights; and 2: make sure that they are not complicit in human rights abuses	**Labour** 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining; 4: the elimination of all forms of forced and compulsory labour; 5: the effective abolition of child labour; and 6: the elimination of discrimination in respect of employment and occupation.
Environment 7: Businesses should support a precautionary approach to environmental challenges; 8: undertake initiatives to promote greater environmental responsibility; and 9: encourage the development and diffusion of environmentally friendly technologies.	**Anti-Corruption** 10: Businesses should work against corruption in all its forms, including extortion and bribery.

Learn more : United Nations Global Pact

OECD Guidelines for multinational enterprises: Recommendations on corporate responsibility concerning human rights, the environment, and governance, addressed by governments to multinational enterprises operating in or from OECD countries.

Learn more: Guidelines for MNEs - Organisation for Economic Co-operation and Development



UN Guiding principles on business and human rights: These principles are the first global standard of conduct for companies aimed at preventing, mitigating and addressing the risks of negative impacts on human rights linked to business activities.

Learn more: Guiding principles on business and human rights.

Normative exclusion policy: Principles

LBP AM identifies and excludes issuers who pose **critical risks of serious violations and/or those subject to severe, proven and repeated controversies** regarding the principles of the UN Global Compact, the UN Guiding Principles on Business and Human Rights, or the OECD Guidelines for Multinational Enterprises.

- **The GREaT bases its decisions on an assessment of:**
  - **The severity or the risks of impact on people, the environment or the principles of good governance,** in particular by taking into account the severity, scope and reversibility of such real or potential impact.
  - **The link between the impact or the risk of impact and the company** (cause, contribution, direct link).
  - **The measures** implemented by the company **to prevent, halt and remediate risks and impacts.**.
  - **The likelihood of future breaches of standards by the company by examining the due diligence** implemented by the company and its compliance with the expectations of the fundamental ethical standards of the LBP AM Group.

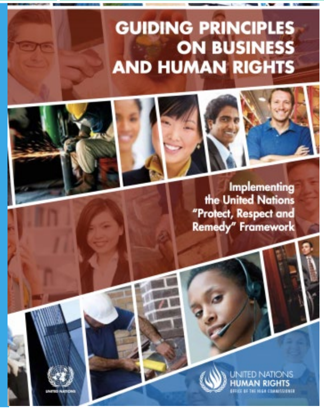
Engagement	Vote	Dégradation des notes ISR
Mise sous surveillance renforcée	Gel ou suspension	Exclusion

- **The final decisions adopted by the GREaT Committee must, insofar as possible, aim to reduce and mitigate the risks of future breaches of the standards.** The GREaT Committee may thus vote on the following measures:

Engagement	Vote	Downgrading of SRI ratings
Under enhanced surveillance	Freezing or suspension	Exclusion

Commentary to UNGP 19

"Among the factors that will enter into the determination of the appropriate action in such situations are the enterprise's leverage over the entity concerned, how crucial the relationship is to the enterprise, the severity of the abuse, and whether terminating the relationship with the entity itself would have adverse human rights consequences."



Normative exclusion policy: Implementation

Identification of issuers

1 **Identification of a controversy, a severe impact or a risk of severe impact on human rights, the environment or good governance.**

2 *Quantitative analysis, via specialised data providers (ISS, Moody's, MSCI, etc.) and qualitative analysis, by SRI experts or the management teams, based on external data and information sources (Business & Human Rights Resource Centre, NGOs, universities, research centres, the press, etc.).*

Integration of the issuer into the normative watchlist for processing.

3 **Presentation of the issuer, the controversy, the impact or the risk of severe impact at the meeting of the ESG Committee, which prioritises and organises an in-depth due diligence.**

Enhanced due diligence and analysis methodology

1 **Analysis by a multi-stakeholder workgroup (SRI teams, Fundamental research, Management) of:**

- *The severity of the impact or risk of impact (scope, severity, reversibility, vulnerability of affected individuals, as well as measures taken by the company to prevent, cease or remediate the impact.*
- *The likelihood of future breaches* ***of standards.***
- *The reasonable diligence implemented in the company.*
- *The leverage effect of* LBP AM.

2 **Drafting of a Recommendation for deliberation by the GREaT Committee.**

Deliberation by the GREaT Committee

The GREaT Committee, based on the results of the enhanced due diligence on the issuer and the workgroup's recommendation, decides on the application of the following measures:

- *Enhanced monitoring: The issuer is placed under close watch, without exclusion. The monitoring is conducted by the Committee.*
- *Downgrading of the issuer's SRI rating: The downgrade reflects the findings of the enhanced due diligence whereby decisions can be adjusted accordingly.*
- ***Bilateral or collective engagement with the issuer.***
- ***Suspension of purchases.***
- *Exclusion: Prohibition of holdings (securities to be divested within one month or within three months with special exemption).*

Normative exclusion policy: Implementation

Review of excluded issuers and those on the normative watchlist:

- The issuers who are excluded or are on the normative watchlist are **reviewed at least annually and**, if necessary, upon request of the ESG Committee or the GREaT Committee (particularly in cases of significant changes in the level of risk or controversy).
- **Depending on the development of the risk or controversy,** and in particular on the company's capacity to remediate and mitigate the risk in a sustainable manner, the teams responsible for due diligence may initiate a new **enhanced analysis and issue a recommendation.**
- Based on this recommendation and in line with the afore-described procedure, the GREaT Committee may decide on **an escalation action or on reintegration.**

Update of the normative exclusion list: *At least quarterly*.

For funds bearing the French ISR [SRI] Label, this exclusion policy and its implementation also meet the requirements regarding exclusions for breaches of the Global Compact as described in Annex 7 of the Framework Document, as well as the requirements for identifying, analysing, and monitoring controversies, as outlined in Criterion 2.1 of the Framework Document, available on the label's website.

LBPAM

03.2 Fight against money laundering and the financing of terrorism

Governance of the fight against money laundering and the financing of terrorism

LBP AM assesses and excludes issuers who are exposed to a critical risk for money laundering and the financing of terrorism.

General Regulation 320-22

"When implementing its investment policy for its own account or on behalf of third parties, the portfolio management company assesses the risk of money laundering and the financing of terrorism and lays down procedures to monitor the investment decisions made by its representatives."

LBP AM prohibits dealing with issuers whose registered office and principal listing place is situated:

i. In the countries mentioned in the **FATF Public Statement (blacklist)** as high-risk Jurisdictions subject to a call for action and associated countermeasures;
ii. In countries **"under extended embargoes"** as defined by its parent company, LBP.

In addition, issuers subject to financial sanctions or asset freezes (UN OFAC, EU, FR) are systematically prohibited.

These prohibitions (countries, financial sanctions, asset freezes) apply also to subsidiaries of prohibited issuers.

For funds bearing the French ISR [SRI] Label, this exclusion policy and its implementation also meet the requirements regarding exclusions for weapons as described in Annex 7 of the Framework Document, available on the label's website.

04 “Activity” exclusion

LBPAM

04.1 Controversial weapons

Definition

Due to the disproportionate and severe humanitarian consequences from the use of certain types of weapons, **LBP AM excludes what are known as « controversial » weapons from its investments.** The identification of these weapons is based primarily on international conventions.

Cluster munitions (*Oslo Convention, 2008, ratified by France in 2009*)
The term "cluster munitions" refers to conventional munitions designed to disperse or release explosive submunitions weighing less than 20 kilograms.

- **Anti-personnel landmines** (*Ottawa Convention, 1997, ratified by France in 1998)*
"Anti-personnel mines" are defined as mines that are designed to be exploded by the presence, proximity or contact of a person and that will incapacitate, injure or kill one or more persons. The mines are designed to explode by the presence, proximity or contact of a vehicle, and not of a person, which are equipped with anti-handling devices, are not considered as anti-personnel landmines due to the presence of this device.

Chemical weapons (*Convention on the Prohibition of the Development, Production, Stockpiling and Use of Chemical Weapons and on their Destruction, 1992, ratified by France in 1995*)
"Chemical weapons" are defined as toxic chemicals and their precursors, munitions and devices specifically designed to cause death or other harm through the toxic properties of toxic chemicals, and any equipment specifically designed for use directly in connection with the employment of the aforementioned munitions and devices..

Incendiary weapons (*Convention on the Prohibitions or Restrictions on the Use of Certain Conventional Weapons Which May Be Deemed to Be Excessively Injurious or to Have Indiscriminate Effects and on its Protocols, 1980, Protocol on Incendiary Weapons, Protocol III, ratified by France in 1988)*
"Incendiary weapon" means any weapon or munition which is primarily designed to set fire to objects or to cause burn injury to persons through the action of flame, heat, or combination thereof, produced by a chemical reaction of a substance delivered on the target.

This type of weapon is generally manufactured using napalm, thermite, chlorine trifluoride or white phosphorus.

Incendiary munitions do not include munitions which are designed to combine penetration, blast or fragmentation effects with an additional incendiary effect, such as armour-piercing projectiles, fragmentation shells, explosive bombs and similar combined-effects munitions in which the incendiary effect is not specifically designed to cause burn injury to persons, but to be used against military objectives, such as armoured vehicles, aircraft and installations or logistical support facilities.

Definition

Due to the disproportionate and severe humanitarian consequences from the use of certain types of weapons, **LBP AM excludes what are known as « controversial » weapons from its investments.** The identification of these weapons is based primarily on international conventions.

Biological weapons (*Convention on the Prohibition of the Development, Production and Stockpiling of Bacteriological (Biological) and Toxin Weapons and on their Destruction, 1972*, ratified by France in *1984*): "Biological weapons" is defined as any microbial or other biological agents, or toxins, that have no justification for prophylactic, protective or other peaceful purposes, as well as weapons, equipment or means of delivery designed to use such agents or toxins for hostile purposes or in armed conflict.

Blinding laser weapons (*Convention on the Prohibitions or Restrictions on the Use of Certain Conventional Weapons Which May Be Deemed to Be Excessively Injurious or to Have Indiscriminate Effects and on its Protocols, 1980, Protocol on Blinding Laser Weapons, Protocol IV, ratified by France in 1998*) : "Blinding laser weapons" are defined as any weapons specifically designed, as their sole combat function or as one of their combat functions, to cause permanent blindness.

Nuclear weapons outside the Non-Proliferation Treaty (*Treaty on the Non-Proliferation of Nuclear Weapons, 1968, adhesion by France in 1992*): The objective of the non-proliferation treaty is to prevent the spread of nuclear weapons, to promote cooperation in the peaceful uses of nuclear energy and to further the goal of achieving nuclear disarmament and general and complete disarmament. By this treaty, each non-nuclear State Party to the Treaty undertakes not to manufacture or otherwise acquire nuclear weapons or other nuclear explosive devices, while each nuclear-weapon State Party to the Treaty undertakes not in any way to assist, encourage, or induce any non-nuclear-weapon State to manufacture or otherwise acquire nuclear weapons or other nuclear explosive devices. For the purposes of this Treaty, a nuclear-weapon State is one which has manufactured and exploded a nuclear weapon or other nuclear explosive device prior to 1 January 1967. Five nuclear-weapon States are parties to the Treaty: France, the United Kingdom, the United States, Russia and China.

Depleted uranium weapons: There is no international treaty to date that addresses these weapons. This category refers to munitions made with depleted uranium, which pose toxic risks to both military personnel and the targeted populations.

Implementation

Application

LBP AM excludes any company that produces, develops, uses, stockpiles, markets, or distributes controversial weapon systems, as defined by this policy, or **components and services designed specifically for such weapons**, irrespective of the proportion of the company's turnover derived from these controversial weapons.

The dedicated components or services are defined as follows:

- **The component or service plays an essential role** in the functionality of the weapon system and thus constitute a key component or service;
- **The component or service is specifically designed or adapted** to be used in a controversial weapon system.

Source: ISS ESG

Update: Quarterly

For funds bearing the French ISR [SRI] Label, this exclusion policy and its implementation also meet the requirements regarding exclusions for weapons as described in Annex 7 of the Framework Document, available on the label's website.

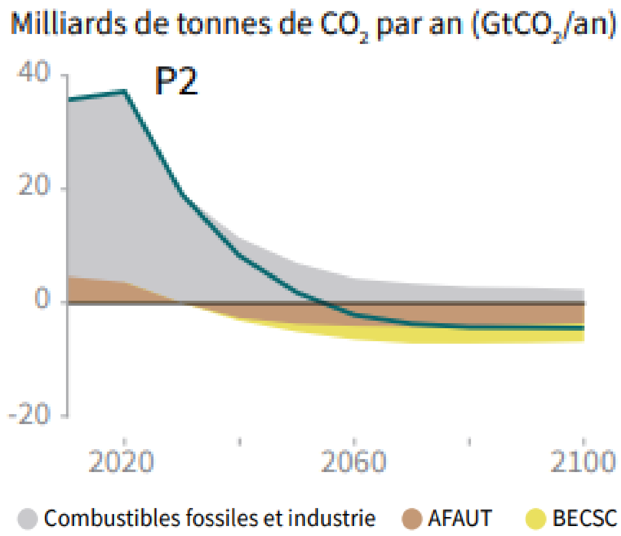
04.2 Thermal coal

Principles

LBP AM is committed to a complete exit from coal in its open funds by 2030 in OECD countries and by 2040 globally.

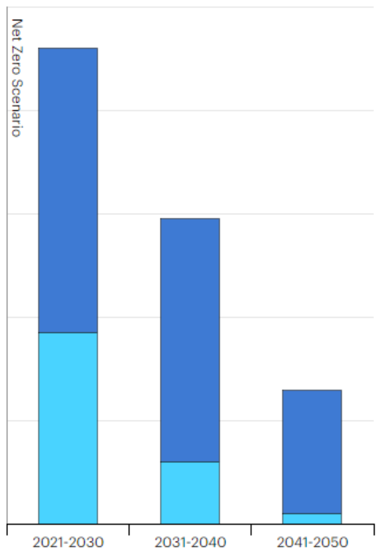
Context

Scenario P2 of the Intergovernmental Panel on Climate Change (IPCC) (2018), a reference international scenario defined in the Special Report which outlines a carbon neutral planet by 2050, is compatible with the aim of the Paris Agreement, **i.e. to limit the rise in average temperature to 1.5°C by 2100 by reducing reliance on carbon capture and storage (CCS) technologies.**



According to the International Energy Agency (IEA) ***"all long-term scenarios of the IEA that meet international climate targets entail a rapid decline in coal-related emissions.*** *Without the latter, it will not be possible to avoid severe impacts from climate change."*

Accordingly, the IEA's "Net Zero by 2050" envisions **the complete decarbonisation of electricity generation in advanced economies by 2035 and the global phase-out of thermal coal without CCS by 2040.**



Average annual decommissioning in GW of coal-fired power plants under the IEA Net Zero by 2050 scenario, 2001-2050

Implementation

LBP AM is committed to a complete exit from coal in its open funds by 2030 in OECD countries and by 2040 globally.

Implementation

Strict exclusions

The exclusion applies without additional qualitative analysis.

Sectors concerned: Exploration, production, storage, distribution and sale of thermal coal.

Exclusion criteria for companies:

- **No managed coal phase-out plan** by 2030 (for companies having their registered office in an OECD country) and by 2040 (for the rest of the world)
- **Development of new projects** involving the use of thermal coal or expansion of existing projects.
- **Generation of more than 5% of the turnover** from the extraction and sale of thermal coal.

AND

Additional exclusions that can be waived in case of a credible phase-out plan

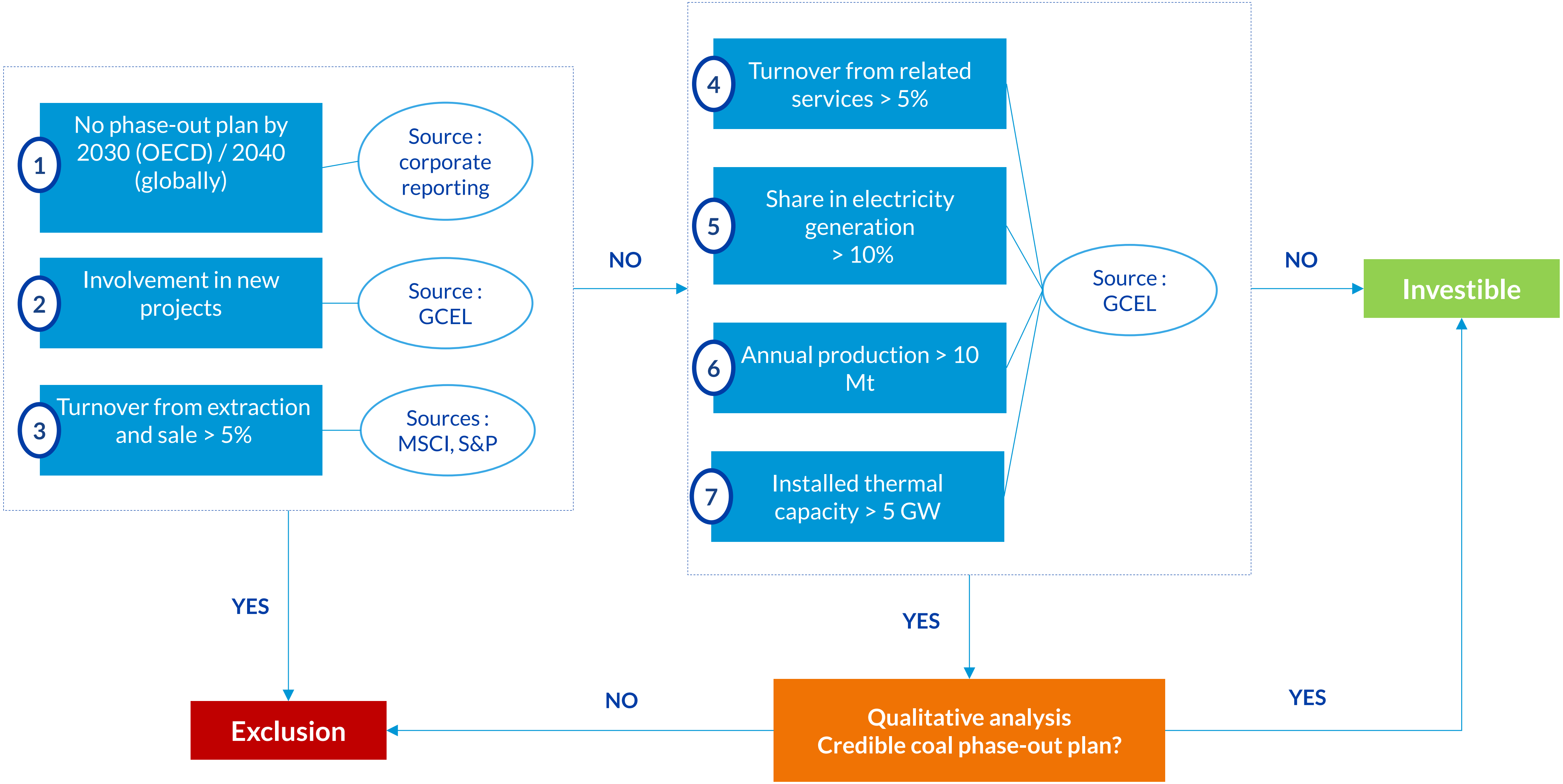
1 **Identification of issuers:**

- Companies that generate more than 5% of their turnover from activities related directly (exploration and transport) or indirectly (logistics, engineering, operations, etc.) to thermal coal.
- Companies where coal-fired power generation, or alternatively installed capacity, exceeds 10% of the energy mix.
- Companies that produce more than 10 million tonnes of thermal coal per year.
- Companies whose installed power in thermal coal-fired power stations exceeds 5GW.

2 **Qualitative analysis:** LBP AM analyses the **quality and credibility of the coal phase-out plans** of these companies, in particular the quality of governance, the robustness of the exit trajectory, and climate commitments, the absence of lobbying in favour of thermal coal, and the presence of minimum guarantees for a just transition.

Favourable opinion	Neutral opinion	Unfavourable opinion
If the plan is deemed credible, the company is granted an exemption from exclusion for the current year and is subject to annual monitoring to make sure that the strategy is properly implemented, with the possibility of revising the opinion	If the plan does not provide factual evidence that it is credible, the company has to clarify it, with a decision on the exemption or exclusion to be made no later than 31 December of the current year.	If the plan highlights poor practices or if the engagement does not provide factual and timely evidence that it is credible, the company is excluded.

Implementation



For funds bearing the French ISR [SRI] Label, this exclusion policy and its implementation also meet the requirements regarding exclusions for weapons as described in Annex 7 of the Framework Document, available on the label's website.

04.3 Exclusions applied to the oil and gas sector

Principles

LBP AM excludes companies that have not committed to transitioning their business model in line with the Paris Agreement.

Context

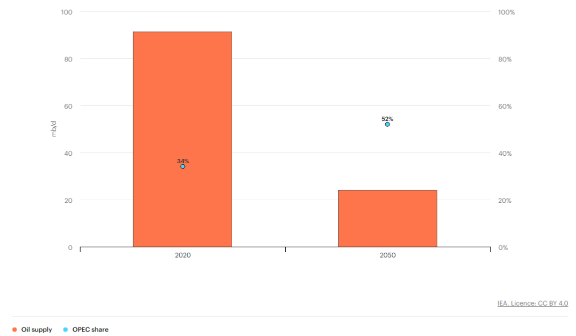
The IPCC and IEA scenarios to meet the objectives of the Paris Agreement foresee **significant emission reductions across the entire value chain of the oil and gas sector** in order to limit the rise in average temperature to 1.5°C by 2100.

According to the IPCC, in order to attain carbon neutrality by 2050 **the carbon intensity of primary energy must decrease by approximately 7.7% per year between 2020 and 2050. According to the IEA, annual energy efficiency improvements should increase by 4% per year until 2030 (i.e. twice the rate achieved in 2022). Demand for fossil fuels is expected to decrease by more than 25% by 2030 and by 80% by 2050** and significant reductions in global fossil fuel consumption must take place between 2022 and 2050:

- ***~75% for oil;***
- ***~80% for gas.***

These scenarios entail that there **is no need to explore** for new resources or to **develop new fields** beyond those already approved for development in 2021.

Furthermore, certain unconventional energy sources generate particularly significant emissions and/or pose a greater risk of "sand encroachment "and/or negative impact on biodiversity.



Source : IEA, Oil Supply in the Net Zero Pathway, 2020-2050, IEA, Paris. https://www.iea.org/data-and-statistics/charts/oil-supply-in-the-net-zero-pathway-2020-2050, IEA. Licence : CC BY 4.0

Implementation

LBP AM excludes companies that are not committed to transitioning their business model in line with the Paris Agreement.

Implementation

Exclusion of unconventional hydrocarbons

Sectors concerned: Exploration, production, storage and distribution of unconventional oil and gas

Type of resources:

- Oil from bituminous sands and extra-heavy oil,
- Shale oil and gas,
- Oil and gas extracted in the Arctic zone, as defined by the Arctic Monitoring and Assessment Programme,
- Oil and gas extracted from wells deeper than 1000 metres.

Exclusion criterion for companies: Cumulative turnover generated from unconventional resources exceeding 20%.
Source: *S&P Trucost*

Exclusion criterion for projects: *Greenfield* or *brownfield* projects dedicated to unconventional resources.

Exclusion of issuers not committed to the energy transition

Sectors concerned: All sectors combined

Type of resources: Oil and gas

Exclusion criterion for companies: No publication of a comprehensive carbon neutrality target for Scope 1 and 2, nor publication of a greenhouse gas emission reduction target for Scope 3 greenhouse emissions covering a significant scope of activities.
Source : *CDP*

Exclusion criterion for projects: (Fossil) gas and oil greenfield projects.

Enhanced exclusions for certain strategies *(applicable as at 1 January 2025)*

Products bearing the ISR {SRI] label: specific provisions relating to national SRI labels for labelled funds (next page).

Traditional debt funds: companies developing new upstream capacities
Source : Urgewald

Implementation

Focus on sustainable finance product variations – Additional exclusions for labelled funds.

ISR [SRI] V3 Label

(applicable as of 1 January 2025)

- Any issuer developing **new projects** for the exploration, extraction, or refining of liquid or gaseous fossil fuels, whether conventional and/or unconventional;
- Any issuer with **more than 5% of its production** of liquid or gaseous fossil fuels originates from the exploration, extraction, or refining of **unconventional** liquid or gaseous fossil fuels.
- Any issuer whose primary activity is **electricity generation**, whose carbon intensity in electricity generation is not compatible with the objectives of the Paris Agreement. The thresholds applied are specified Annex 7 of the label's framework document.

Source : Label ISR

Greenfin Label

- Any company developing **new projects** for the exploration, extraction, transport (oil pipeline or gas pipeline) and refining solid, liquid, or gaseous fossil fuels.
- Any company where **more than 5% of the activity** pertains to the value chain activities for the exploration, extraction, refining and production of derivative products and the supply of solid, liquid and gaseous fossil fuels.
- Any company whose **turnover is greater than or equal to 30%** from the transport, distribution, storage and supply of gaseous fossil fuels, and the production, transport and distribution/sale of equipment and services for excluded companies.

Source: https://www.ecologie.gouv.fr/sites/default/files/Label_TEEC_R%C3%A9f%C3%A9rentiel_janvier_2024.pdf

Sources : Urgewald, S&P Trucost

04.4 Tobacco

Exclusion of tobacco

As a signatory of the Tobacco-Free Portfolios initiative since 2018, **LBP AM acknowledges the negative impacts and risks associated with smoking and has adopted an exclusion policy geared to reducing the exposure of its portfolios to tobacco.**

Context

Harmful effects on health: Tobacco-related illnesses are estimated to claim **over eight million people** worldwide every year. The World Health Organisation (WHO) also projects that more **than one billion deaths** will be linked to these same diseases over the course of this century.

In 2004, the WHO has drawn up a framework convention, **the WHO Framework Convention on Tobacco Control,** which recognises smoking as a global epidemic.

Costs to society: The WHO also estimates that tobacco costs individuals and governments **more than US$ 1,400 trillion** annually in healthcare expenditures and lost productivity.

The tobacco industry is also exposed to **other particularly severe risks to individuals and for the environment** (*impact of marketing on consumers and human rights, child labour and forced labour in tobacco farming, transparency and the environmental effects of chemicals found in cigarettes, deforestation, etc.).*

Implementation

LBP AM **signed the Tobacco-Free Portfolios initiative** in 2018.

The exclusion pertains to the entire value chain: producers, distributors, suppliers of products and providers of services.

- **Application:** Systematic exclusion of companies belonging to the **GICS "Tobacco"** sector and companies **generating more than 5%** of their revenue from tobacco..

Source: *ISS ESG.*

Update: *Quarterly.*

For funds bearing the French ISR [SRI] Label, this exclusion policy and its implementation also meet the requirements regarding exclusions for weapons as described in Annex 7 of the Framework Document, available on the label's website.

04.5 Gambling

Exclusion of gambling

LBP AM recognises the impact and risks of gambling and games of chance for individuals as well as the vulnerability of stakeholders involved in these activities.

Context

Eight gambling families are identified: *draw games, scratch cards, horse betting, sports betting, poker, instant win games, casinos and gaming tables.*

The industry represents a **significant social cost** in terms of gambling addiction, and its social consequences (exclusion, isolation, etc.), impoverishment and over-indebtedness of many gamblers.

The number of French people addicted to gambling continues to grow. According to the barometer of Santé publique France [Public Health France], **6% of gamblers are said to engage in practices considered "problematic."** When applied to the entire population, these estimates correspond to 1 million individuals classified as "moderate-risk gamblers" and **370 000 "excessive gamblers."** These gamblers alone generate **40% of the turnover** from various gambling activities in France.

The **most vulnerable households** are purportedly the most affected. The Observatoire des inégalités [Observatory of Inequalities] notes that gamblers from the poorest households spend two and a half times more of their budget on gambling than other households.

The gambling sector is sensitive to **the money laundering risk,** although it is difficult to put a figure on the phenomenon.

Implementation

- **Application:** Systematic exclusion of companies belonging to the **GICS "Casinos & Gaming" sector** and companies that **generate more than 5%** of their revenue from gambling.

  Source: *ISS ESG.*

  Update: Quarterly

04.6 Deforestation

Exclusions relating to deforestation: Principles

LBP AM has implemented a cross-cutting policy to exclude **producers and traders** of agricultural commodities that present a **high risk of contributing to deforestation** and have not implemented sufficient measures to prevent this negative impact.

Context

Forests provide a wide range of **essential ecosystem services** to human societies and the environment. It is crucial to **recognise the value of these services and adopt sustainable practices** to preserve them.

The United Nations has established a strategic plan for forests with the **goal of increasing the global forest area by 3%** by 2030.

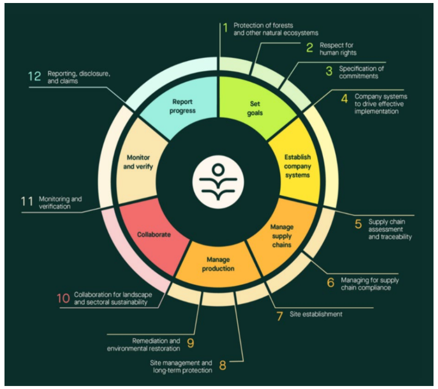
While the rate of net loss of forest area has significantly decreased since 1990, **deforestation and forest degradation continue** at an alarming pace in spite of everything, jeopardising the attainment of this goal.

The exclusion policy for deforestation of LBP AM aims to implement a risk-based approach. It focuses on the **initial links in the agricultural value chain,** which are directly connected to the negative impact, **as well as mining companies**, given that the correlation between certain mining deposits and deforestation fronts can be significant, depending on the minerals.

Standards and reference guidelines

- **Kunming-Montreal Global Biodiversity Framework (2022)**: This global framework is **the strategic plan** for the 2020 decade, adopted at the 15th meeting of the parties to the Convention on Biological Diversity in December 2022. It consists of **four global objectives for 2050, focused on the health of ecosystems and species.**
- **Accountability Framework Initiative : The** *Accountability Framework* is a roadmap for **implementing ethical supply chains that protect forests, natural ecosystems and human rights.** This framework provides guidelines for companies in the agriculture and forestry sectors..

Accountability Framework initiative



"Deforestation" exclusion policy: Implementation

Identification of issuers ▶ **Enhanced due diligence**

Identification of issuers that pose significant risks of causing or contributing to activities associated with deforestation:

- **Producers and traders of agricultural commodities considered to be at high risk of deforestation** under the French National Strategy Against Imported Deforestation and Regulation (EU) n°995/2010 on timber regulation, i.e.

Soya and derivative products | Coffee | Palm oil | Wood, paper, paper pulp

Cocoa | Rubber (including leather) | Bovine and derivate products

Source : *MSCI, CDP, SPOTT*

- **Mining companies** exposed to significant controversies.

Source : *RepRisk*

1 Companies at risk from agricultural commodities

Due diligence is conducted on the companies identified to assess their **policies for managing deforestation risks and impacts** as well as their implementation, in line with the Accountability Framework Initiative.

Expectations for companies include in particular:

- ***A risk mapping exercise.***
- ***Formalising a Zero Deforestation and Conversion objective*** *by 2025 covering a holistic scope.*
- ***Incorporating this objective*** *in supply chain contracts and across the value chain.*

If the results of the due diligence fall short of the expectations set out in this policy, the issuer is excluded.

Update: *Annual*

2 Mining companies

A qualitative analysis is conducted to assess:

- ***The remediation and compensation measures*** *for impacts implemented by the company.*
- ***The deforestation prevention measures*** *adopted and implemented by the company.*
- ***The compensation for activities that have caused deforestation*** *or conversion following the "No Net Loss" principle.*
- *The company's* ***commitment*** *to align with the* ***Kunming-Montreal Global Biodiversity Framework.***

If the results of the due diligence fall below the expectations set out in this policy the issuer is excluded.

04.7 Biodiversity

Exclusions relating to Biodiversity: Principles

The exclusion policy of LBP AM is aimed at limiting the exposure of the management company to the most serious and irreversible impacts on biodiversity.

Context	Standards and reference guidelines
Biodiversity is defined as the **variety of life forms on Earth. It provides irreplaceable and indispensable** goods and services to mankind such as: Supply services, e.g. food, water, pharmaceuticals, minerals, etc. Regulation services, e.g. protection of the coasts, the climate or pollination Cultural services, which are essential to local communities and for economic activity. The economic activities of companies can damage biodiversity and degrade ecosystem services and stocks of natural capital. The dysfunction of the main ecosystem services **purportedly amount to 1.5 times the global GDP.** **The exclusion policy relating to biodiversity of LBP AM aims to limit the exposure to companies that have serious and irremediable impacts on biodiversity.**	• **Kunming-Montreal Global Diversity Framework (2022):** This global framework is **the strategic plan** for the 2020 decade, adopted at the 15th meeting of the parties to the Convention on biodiversity in December 2022. It consists of **four global objectives by 2050 geared to the health of ecosystems and species.** • **United Nations Convention on Biological Diversity:** Key convention for the preservation of biodiversity. The signatory states undertake to adopt "National Biodiversity Strategies." • **Science Based Target Networks:** Initiative that supports businesses to set action targets for the preservation of biodiversity known as Science Based Targets for Nature • **Taskforce for Nature-Related Financial Disclosure :** Initiative that develops a voluntary reporting framework dedicated to natural capital.

Implementation

Identification of issuers

Identification of issuers that pose the most severe and irremediable impacts on biodiversity through multiple sources:

- Analyse of sectors with critical biodiversity issues *(Source: ENCORE, UN)*
- Biodiversity Impact Analytics data base fed by the Global Biodiversity Score *(BIA-GBS)*
- Controversy indicators *(Source : Moody's, ISS, MSCI)*
- Reports from specialised NGOs.

Scope:

- Absolute footprint **exceeding** 50,000 msa.ppb
- Very high footprint relative to peers in high-impact sectors (energy, agri-foodstuffs, beverages, materials, transport, utilities)
- Severe level of controversy regarding biodiversity.

Update: *Annual*

Enhanced due diligence

A qualitative analysis of corporate policies and practices is carried out. A company is excluded if it does not meet the following expectations:

- The company has a biodiversity policy.
- The company has conducted an assessment of risks relating to biodiversity and its dependencies..
- The company has set targets for the protection of biodiversity and the reduction of its impact, with clearly defined deadlines, aligned with international standards.
- The company has an action plan with a defined time frame and sets interim targets to achieve its objectives.
- The company has incorporated the concept of dependency on natural capital and ecosystem services in its risk management policy.
- The company reports indicators or metrics regarding its biodiversity dependencies or impacts and their development so as to demonstrate progress towards attaining these objectives.

04.8 Pesticides

Exclusions relating to pesticides

LBP AM excludes from its investments companies that derive more than 20% of the turnover from the manufacture or sale of pesticides, including herbicides, fungicides and insecticides for agricultural use, in order to contribute to the attainment of these objectives.

Context

The term "pesticides" encompasses two categories of substances:

- ***Biocides,*** intended to destroy, repel, or render organisms such as insects, rodents, bacteria, etc., harmless.
- ***Plant protection or phytosanitary products,*** used to protect cultivated plant species against harmful insects and diseases, and to improve yields.

The negative impacts relating to the use of pesticides may include:

- ***Decline*** in insect and pollinator ***populations.***
- ***Disruption of biodiversity and ecosystems*** through the direct or indirect disappearance of certain animal or plant species.
- ***Water pollution,*** threatening the integrity of aquatic flora and fauna, as well as human health.
- ***Soil pollution,*** potentially causing harmful effects on soil organisms and human health.
- ***Development of resistance to pesticides in organisms.***
- ***Potential impacts on human health,*** with some substances classified as carcinogenic or endocrine disruptors.

Standards and reference guidelines

Several international objectives have been set to **reduce the use of pesticides** and promote **more sustainable and alternative agricultural practices:**

- **Kunming-Montréal (Global Biodiversity Framework 2022) :** This global framework sets a 7th target for 2030 to ***reduce by at least half the overall risk posted by pesticides and highly hazardous chemicals."***
- **Stockholm Convention on Persistent Organic Pollutants (2001):** This convention encourages States to **reduce gradually the use of certain persistent pesticides** and to promote **safer alternatives.**
- **European Biodiversity Strategy for 2030 (2020): The** strategy includes **specific measures to reduce the use and risks of pesticides.**

Implementation

- **Application:** Companies that generate more than **20% of their turnover from the manufacture or sale of pesticides.**

Source: *Sustainalytics*

Update: *Quarterly*

LBP AM & LFDE Legal provisions

This promotional document has been produced for information purposes only and does not constitute an offer or solicitation, nor a personalised recommendation within the meaning of Article D321-1 of the Monetary and Financial Code, nor a provision of research, within the meaning of Article 314-21 of the AMF General Regulation, nor a financial analysis, within the meaning of Article 3, 1°, 35) of Regulation (EU) No. 596/2014 of 16 April 2014 on market abuse (MAR), with a view to subscribing to LBP AM's UCIs.

The information contained in this document is produced for information purposes only and has no pre-contractual or contractual value. It may be updated as and where necessary during the management of the UCI and in accordance with applicable regulations.

The investor's attention is drawn to the fact that the information concerning LBP AM's UCIs contained in this document is not a substitute for the exhaustive information contained in the legal documentation of the UCIs which has been given to you and/or is available upon request from LBP AM or on the website. Please note that past performance is not a guide to future performance and is not constant over time.

LBP AM would also like to inform the investor that it cannot be held liable for any investment decision, whether or not it is based solely on the information contained in this document. The investor's attention is drawn particularly to the fact that:

• all investments has disadvantages and advantages that should be assessed in accordance with the personalised and studied profile of each investor (desired return, risk that can be borne, etc.), and that,

• prior to any investment, and in order to avoid investing in a UCI that does not correspond to his or her profile, the investor must carefully read the legal documentation of the UCI provided and, should he or she should consider it necessary, contact his or advisor to obtain further information on the planned investment in relation to his or her own investor profile.

This document is intended solely for the persons to whom it was originally addressed and may not be used for any purpose other than that for which it was designed. It may not be reproduced or transmitted, in whole or in part, without the prior written consent of LBP AM, which may not be held liable for the use that may be made thereof by a third party.

It is expressly underscored that the instruments concerned by this document may be subject to marketing restrictions with regard to legal entities or individuals who, by reason of their nationality, residence, registered office/place of registration or for any other reason, are subject to a foreign jurisdiction which prohibits or limits the offer of certain products or services (in particular financial instruments).

Certain units/shares of the Fund may not have been registered with the SEC under the provisions of the US Securities Act of 1933 and are not available, directly or indirectly, in the United States (including its territories, counties and possessions) to US persons as defined in Regulation S. Consequently, the units/shares of the fund may not be sold, delivered or distributed, directly or indirectly, in or to the USA.

LBP AM, SA [public limited company], with a Management Board and a Supervisory Board, with a capital of €12,138,931,20, registered in the Paris Trade and Companies Register under number 879 553 857 - 36 Quai Henri IV, 75004 Paris. Management company accredited by the AMF under number GP-20000031, APE [business activity code] 6630Z - N° Intra-Community VAT : FR 71 879 553 857

La Financière de l'Échiquier, société anonyme [public limited company], with a share capital of €10,047,500, having its registered office at 53 Avenue d'Iéna, 75116 PARIS. La Financière de l'Échiquier, registered with the Paris Trade and Companies Register under n° 352 045 454, is accredited as a portfolio management company by the Authorité des Marchés Financiers (AMF) [Financial Markets Authority] under number GP 91-004.

Thank you for your attention

Groupe LBP AM
36 Quai Henri IV
75004 Paris
www.lbpam.com/fr