Exclusion policy

February 2025

LBPAM

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01 General principles

Objectives and scope

Engagement

LBP AM **implements an engagement strategy** with companies, in order **to support the development of sustainable practices** within the real economy, following a framework of clear and transparent expectations, applied to all assets under management.

Exclusions

Nevertheless, **LBP AM has adopted an exclusion policy in order to limit LBP AM's exposure to issuers whose activities, policies or practices i) are not compatible with LBP AM's vision of a responsible economy, and ii) which are considered unlikely to evolve positively.**

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

For dedicated funds and institutional mandates, the policy applies in full or in part, depending on investors' requirements.

Exclusion typologies

Four types of exclusion

Instrument

Speculative instruments on agricultural commodities

Norm-based

Companies for which there is an **unacceptable risk that they cause, contribute to or are linked to particularly serious violations of LBP's fundamental ethical standards, or which are exposed to serious, repeated and verified controversies,** and for which exclusion is considered as the most effective lever to reduce the risk of ongoing or future breaches of standards and norms.

Companies excluded on basis of norm-based provisions on **anti-money laundering and the fight against the financing of terrorism.**

Activities

Companies whose products or services, or they way in which they are managed, present risks of critical human rights or environmental impacts and/or are not aligned with LBP AM's ESG performance objectives, in the following areas:

- Controversial weapons
- Gambling
- Tobacco
- Thermal coal
- Oil & Gas
- Pesticides
- Biodiversity (within specific sectors)
- Deforestation (in high-stake sectors)
- Pornography

Materiality

Companies whose **practices**, particularly in terms of social and environmental responsibility, and governance, present **risks of severe material financial impact for the company, from a sustainability risk management perspective.**

Decision-making bodies and implementation

Sustainable Finance Committee

Validates the developments and updates of the exclusion policy, in conjunction with LBP AM's related thematic, sectoral or engagement policies.

GREaT Committee

Steers the cross-functional deployment of the engagement and exclusion policies, by taking relevant measures, in accordance with the conditions expressed in the different components of the such policies. Regarding the exclusion policy:

- **Adoption or revision of the recommendations made by the working groups** that carried out enhanced norm-based due diligences.
- **Review of the exclusion lists** elaborated on the basis of qualitative analysis (biodiversity, deforestation etc.)
- **Review of the exclusion lists** elaborated quantitatively (tobacco, themal coal, petroleum, etc.).

ESG Committee

Informs, prioritizes and organizes the conduct of due diligences:

- **On the risks of critical impacts on human rights, the environment or good governance principles,** and the risk of serious violations of LBP AM's norm principles (norm-based exclusion).
- **On sustainability risks** to companies, arising from a company's poor ESG practices (materiality-based exclusion).
- **Adoption of a decision for action** (reinforced surveillance, override, suspension, exclusion, vote, etc.).

Ensures the day-to-day management of controversies, in accordance with LBP AM's Human rights and engagement policies.

Implementation of exclusions

Management and implementation:

- Dissemination of decisions to the Risk and Asset Management teams for implementation and binding integration into LBP AM's investment decisions.

Controle

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

Analysis

- One-off reviews of the impacts of exclusions, particularly on the performance profile of funds.
- Assessment of the need to update the exclusion.

Conflict of interests

In line with the AMF's General regulation (RGAMF), the LBP AM Group has implemented a **conflict of interests management policy, to ensure the independence of the implementation of the exclusion policy.**

A conflict of interest is a situation in which the LBP AM Group risks undermining the interests of one or more of its clients while exercising its activities, in order to favour to interests of 1) its employees, 2) one of its managers, 3) a company to which it is directly or indirectly linked by a control relationship, or 4) another client.

The potential conflict of interests arising from the implementation of the exclusion policy would arise from potential pressures that the LBP AM Group might be subject to from companies with which the LBP AM Group, its shareholders or its employees have special ties, such as commercial, capital or influence ties, not to exclude or not to adopt the measures provided for in the exclusion and its components.

In order to prevent the occurrence of these potential conflicts of interests, the LBP AM Group has set up the following guidelines and rules:

- **Compliance with the guidelines, principles and implementation procedures defined in this policy**, which guarantee the autonomy of the LBP AM Group's decision-making processes. Decisions adopted by the GREaT Committee are consistent with the Group's exclusion policy.
- Where an issuer is the subject of a qualitative analysis, especially in the context of the application of norm-based, biodiversity and deforestation exclusion policies, **the analysis are the subject of a multi-stakeholder analysis, the decision-making process is collegial and the Compliance Department is systematically kept informed**.
- **The recommendations and deliberations of the GREaT Committee are not communicated outside the LBP AM Group, in particular to issuers or their agents, until they have been traced and integrated into IT tools**. The GREaT Committee's decision may be reviewed in the light of further discussions and engagements with companies, in accordance with the guidelines and rules set out in this policy. Any such changes, and the reasons for them, are recorded in the minutes of each Committee meeting.
- **Internal control every two years.**

02 « Instruments » exclusions

Restrictions on agricultural raw materials

LBP AM does not invest in financial instruments whose underlying asset is an agricultural commodity, in view of its activity.

Agricultural raw materials include cereals, such as wheat, corn, rice and soy, wood, cotton, and coffee.

- All instruments with an underlying agricultural commodity, in physical delivery or cash delivery, are excluded..

Regulation (UE) 2017/591

03 Norm-based exclusions

03.1 Controversies and fundamental ethical standards

Les normes éthiques fondamentales de LBP AM

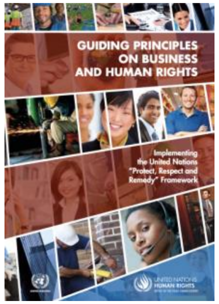
LBP AM **may exclude companies for which there is an unacceptable risk that they will cause, contribute to or be linked to critical violations of the LBP AM Group's fundamental ethical standards, or which are the subject of serious, verified and repeated controversies,** and for which exclusion constitutes the most effective way of reducing the risk of continued violation of these standards.

United Nations Global Compact (UNGC): A United Nations initiative launched in 2000, to encourage companies to align their operations and strategies with ten universal principles in four areas: human rights, the environment, international labor standards and anti-corruption.

To learn more: United Nations Global Compact

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

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



United Nations Guiding Principles on Business and Human Rights (UNGPs): These principles are the first global standard of conduct for business, aimed at preventing, mitigating and remediating the risks of adverse human rights impacts associated with business activities.

To learn more: United Nations Guiding Principles on Business and Human Rights

Politique d’exclusion normative : principes

LBP AM identifies and excludes issuers presenting **critical risks of serious/repeated violations and/or being the subject of serious, verified and repeated controversies** with regard to the UNGC, the UNGPs or the OECD Guidelines on Multinational Enterprises.

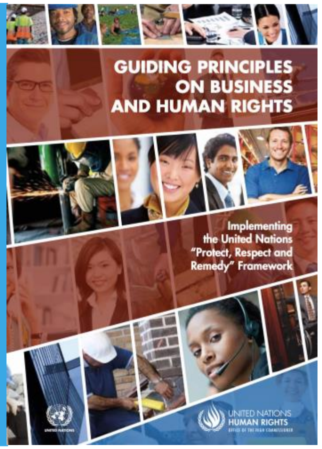
- **The GREaT Committee bases its decisions on an assessment of**:
  - **The saliency of the impact or risk of impact on people, the environment or good governance principles**, in particular taking into account the severity, scale and remediability of these actual or potential impacts.
  - **The link between the impact or risk of impact and the examined company** (cause, contribution, direct link).
  - Measures implemented by the company **to prevent, cease or and remediate risks and impacts.**
  - **The likelihood of future violations of standards by the company, by examining the due diligence** carried out by the company and its compliance with LBP AM’s fundamental ethical standards.
  - **The LBP AM Group’s leverage** with the company.

- **The final decision adopted by the GREat Committee must aim, as far as possible, to reduce and mitigate the risk of future international standards violations.** The GREaT Committee may therefore adopt the following measures:

Engagement	Vote	Override of SRI ratings
Reinforced monitoring	Suspension	Exclusion

Commentary of UNGP Principle 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. »



Norm-based exclusion policy update: *Quarterly*

Norm-based process and controversy management

Step 1: Identifying issuers

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

Quantitative analysis, via specialized data providers, or qualitative, by SRI experts or asset management teams, based on external data and information sources (Business & Human Rights Resource Center, NGOs, universities, research centers, press, etc.).

Option 1

- The identified risk or controversy is « one-off » and the impact, be it potential or real, remains localized or limited (particularly in terms of scale and scope)
- The company is not subject to a specific engagement or follow-up on the identified themes of risks and impacts.

OR

- The company is already being engaged on this theme, and the controversy has not altered LBP AM's analysis of the company's risk management.

Presentation to the ESG Committee and implementation of the engagement policy and other related thematic policies.

In case of a deterioration of the controversy, or of repetition of similar serious controversies → norm-based escalation (Option 2).

Option 2

- The risk or controversy identified is severe, both in terms of scope and scale.
- The company concerned is already facing a number of verified controversies or risks of critical impacts.
- An engagement may have already been carried out, but the risk or controversy may have deteriorated and justifies a norm-based analysis of the company.

Inclusion of the issuer in the norm-based watchlist for processing, presentation to the ESG Committee for implementation of the exclusion policy → move to Step 2.

Step 2: Enhanced due diligence

1. **Analysis by a multi-stakeholder working group (SRI Teams, Fundamental Research, Asset managers) of:**
   - *The severity of the impact or risk of impact (scale, scope, remediability, affected people's vulnerability), as well as measures taken by the company to prevent, cease or remediate the impact.*
   - *The link between the company and the impact/risk of impact.*
   - *The company's due diligence policies and processes.*
   - *LBP AM's leverage.*
2. **Drafting of a Recommendation for deliberation by the GREaT Committee.**

Step 3: Deliberation by the GREaT Committee

Based on the results of the due diligence on the issuer and the recommendation of the working group, the GREaT Committee might decide on the application of one or several of the following measures:

- *Reinforced surveillance: issuer placed under surveillance, without exclusion. Follow-up in ESG Committee and GREaT Committee.*
- *Downgrading of an issue's SRI ratings: downgrading allows to take into account the results of the due diligence and adapt investment decisions accordingly.*
- *Bilateral or collective engagement with the issuer.*
- *Suspension purchase.*
- *Exclusion: prohibition on holding (securities to be sold within one month, three in case of special derogation).*

Review of issuers excluded or in watchlist

Excluded issuers and reintegration	Issuers under watchlist
Issuers excluded under the norm-based exclusion policy are reviewed **at least annually** and, if necessary, at the request of the ESG Committee or the GREaT Committee (particularly in the event of a significant change in risk level or controversy).	Issuers remaining on the norm-based watchlist following a decision by the GREaT Committee are **closely monitored** by SRI and asset management teams, and are **presented at least annually** to the GREaT Committee.
Depending on the evolution of the risk or controversy and, in particular, the **company's ability to remediate and mitigate the risk on a sustainable basis**, the teams in charge of due diligence may initiate a new, reinforced analysis and issue a recommendation, following the same procedure and elements as described above. Particular attention will be paid to: • **Cessation** of impact or risk of impact • The implementation by the issuer of **sufficient and effective measures and policies** to sustainably avoid the occurrence of similar impacts and, in the event of cause or contribution, to remedy the impact.	In the event of a **worsening of the controversy or risk of impact, or the emergence of new risks or serious controversies**, the teams in charge of due diligence may update the reinforced analysis and issue a new recommendation to the GREaT Committee. They follow the same procedure as described above, as well as escalation actions as set out in the LBP AM's Group Engagement Policy.
On the basis of this recommendation and in accordance with the above-mentioned procedure, the GREaT Committee may decide on **reintegrating the company and/or take additional or prior measures** (engagement, downgrading of SRI ratings, etc.).	On the basis of this recommendation and in accordance with the above-mentioned procedure, as well as with LBP AM Group's Engagement Policy, the GREaT Committee may **adopt additional actions, up to and including exclusion.**

For funds with the French SRI Label, this exclusion and its implementation also meet the requirements concerning exclusions linked to violations of the Global Compact, as described in Appendix 7 of the Standards, as well as the requirements concerning the identification, analysis and monitoring of controversies as described in Criterion 2.1 of the Standards, available on the Label website.

03.2 Anti-money laundering and terrorist financing

LCB-FT Governance

LBP AM evaluates and excludes issuers exposed to a critical risk of money laundering or terrorist financing.

General Regulation 320-22

« When implementing its investment policy on its own behalf or on behalf of third parties, the portfolio management company assesses the risk of money laundering and terrorist financing, and defines procedures for monitoring the investment choices made by its agents. »

LBP AM will not deal with issues whose registered office or listing is located:

i. In countries listed in the **FATF Public Statement (black list)** as high-risk juridications targeted by a call to action, combined with countermeasures.
ii. In countries ***« under extended embargo »*** defined by its parent company LBP.

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

These bans (country, financial penalty, asset freeze) also apply to subsidiaries of banned issuers.

For funds with the French SRI label, additional exclusions relating to taxation, corruption and the financing of terrorism apply. The criteria are specified in Appendix 7 of the standards, available on the Label website.

04 Activity-based exclusions

04.1 Controversial weapons

Definition

Because of the disproportionate and serious humanitarian consequences associated with the use of certain types of weapons, **LBP AM excludes these so-called « controversial » weapons from its investments**. These weapons are identified on the basis of international treaties. The scope of the weapons concerned by this exclusion is as follows:

Cluster munitions(*Oslo Convention, 2008, ratified by France in 2009*)
The term « cluster munition » refers to a munition designed to disperse or release explosive submunitions, each weighing less than 20kg.

Anti-personnel mines (*Ottawa Treaty, 1997, ratified by France in 1998*)
Anti-personnel mines are mines designed to be detonated by the presence, proximity or contact of a person, and intended to injure or kill one or more persons. Mines designed to be detonated by the presence, proximity or contact a vehicle, not a person, which are equipped with anti-handling devices, are not considered to be anti-personnel mines by virtue of the Treaty.

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 munitions or devices composed of toxic chemicals or precursors, specifically designed to cause death or other damage through the toxic action of chemicals, as well as any equipment specifically designed for use in direct conjunction with above-mentioned munitions and devices.

Incendiary weapons (*Convention on the Prohibition or Restriction on the Use of Certain Conventional Weapons Which May be Deemed to be Excessively Injurious or Have Indiscriminate Effects and its Protocols, 1980, Protocol on Incendiary Weapons, Protocol III, ratified by France in 88*)
An incendiary weapon is any weapon or ammunition primarily designed to set fire to objects or to inflict burns on persons through the action of flames, heat, or a combination of flames and heat released by a chemical reaction of a substance thrown at the target.
This type of weapon is generally made from napalm, thermite, chlorine trifluoride or white phosphorous.
Incendiary weapons do not include munitions that are designed to combine penetation, blast or fragmentation effects with an incendiary effect, e.g. armor-piercing projectiles, fragmentation explosive bombs and similar combined-effects munitions where the incendiary effect is not expressly intended to inflict burns on people, but is to be used against military objectives, e.g. armored vehicles, aircraft, and installations or means of logistical support.

Définition

Because of the disproportionate and serious humanitarian consequences associated with the use of certain types of weapons, **LBP AM excludes these so-called « controversial » weapons from its investments**. These weapons are identified on the basis of international treaties. The scope of the weapons concerned by this exclusion is as follows:

Biological weapons (*Convention on the Prohibition of the Production and Stockpiling of Bacteriological Weapons (Biological) and Toxin and on their Destruction, 1972, ratified by France in 1984*) : A biological weapon is a weapon which integrates any microbiological or biological agent or toxin, not intended for prophylactic, protective or other peaceful purposes, as well as any weapon, equipment or means of delivery designed to use such agents or toxins for hostile purposes or in armed conflict.

Laser-blinding weapons (*Convention on the Prohibition or Restriction on the Use of Certain Conventional Weapons Which May Be Deemed to Be Injurious Excessively or to Have Indiscriminate Effects and its Protocols, 1980, Protocol on laser-blinding Weapons Protocol IV, ratified by France in 1998*): Laser-blinding weapon means any weapon specifically designed so that its sole combat function, or one of its combat functions, is to cause permanent blindness.

Nuclear weapons outside the Non-Proliferation Treaty (*Treaty on Non-Proliferation of Nuclear Weapons, 1968, accession by France in1992*) : The Non-Proliferation Treaty aims at preventing the proliferation of nuclear weapons, promoting cooperation in the peaceful uses of nuclear energy, and to advance the goal of nuclear disarmament. Under this Treaty, non-nuclear-weapon States Parties undertake not to manufacture or otherwise acquire nuclear explosive devices, while nuclear-weapon States Parties undertake not in any way to assist, encourage or induce any non-nuclear weapons or other nuclear explosive devices. Nuclear-weapon States Parties to the Treaty are those States which have manufactured and exploded a nuclear weapon or other nuclear explosive device prior to January 1967. Five nuclear-weapon States are parties to the Treaty: France, the United Kingdom, the United States, Russia and China.

Implementation

Application

LBP AM excludes any company that produces, develops, uses, stores, markets or distributes controversial weapon systems, as defined by this policy, or **components and services specifically designed for these weapons**, regardless of the proportion of the company's sales represented by these controversial weapons.

Dedicated components or services are defined as follows:

- **The component or service plays an essential role** in the functioning of the weapon, device or system,
- **The component or service is specifically designed or adapted** for use in a weapon, device or system considered as controversial.

Source: ISS ESG

Update: Quarterly

For funds with the French SRI Label, this exclusion and its implementation meet the requirements of the exclusions relating to weapons as described in Appendix 7 of the Standards, avaiable on the label website.

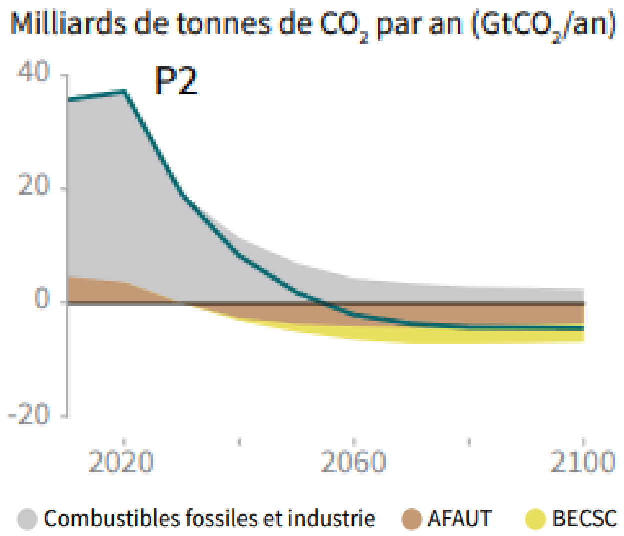
04.2 Thermal coal

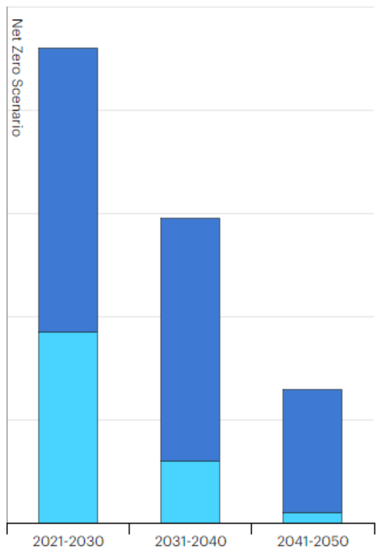
Principles

LBP AM is committed to a total phase-out of coal in LBP AM's open-ended funds by 2030 in OECD countries, and by 2040 worldwide.

Context

The Intergovernmental Panel on Climate Change (IPCC) P2 Scenario (2018), the international reference scenario defined in the Special Report for carbon neutrality by 2050, compatible with the objectives of the Paris Agreement, **envisages limiting the rise in average temperature to 1.5°C by 2100 by limiting reliance on carbon capture and storage (CCS) technologies.**





Average annual decommissioning of coal-fired power plants (in GW) in the IEA Net Zero by 2050 Scenario, 2001-2050

According to the International Energy Agency (IEA), « ***All of the IEA's long-term scenarios that meet international climate objectives include a rapid decline in coal-related emissions****. Without these, it will not be possible to avoid severe impacts related to the climate change.* »

As such, the IEA's Net Zero by 2050 scenario forecasts **the complete decarbonization of power generation in advanced economies by 2035, and the global end of thermal coal without CCS by 2040.**

Implementation

LBP AM is committed to a total phase-out of coal in LBP AM's open-ended funds by 2030 in OECD countries, and by 2040 worldwide.

Implementation

Strict exclusions AND **Additional exclusions, overridable in the event of a credible exit plan**

Strict exclusions

Exclusions apply without additional qualitative analysis.

Business sectors: Exploration, production, storage and distribution, sale of thermal coal.

Criteria for exclusion:

- **Lack of a controlled coal phase-out plan** by 2030 (for companies headquartered in an OECD country) and by 2040 (rest of the world).
- **Development of new projects** involving the use of thermal coal or extension or existing projects.
- **More than 5% of the turnover generated** by the extraction and sale of thermal coal.

Additional exclusions, overridable in the event of a credible exit plan

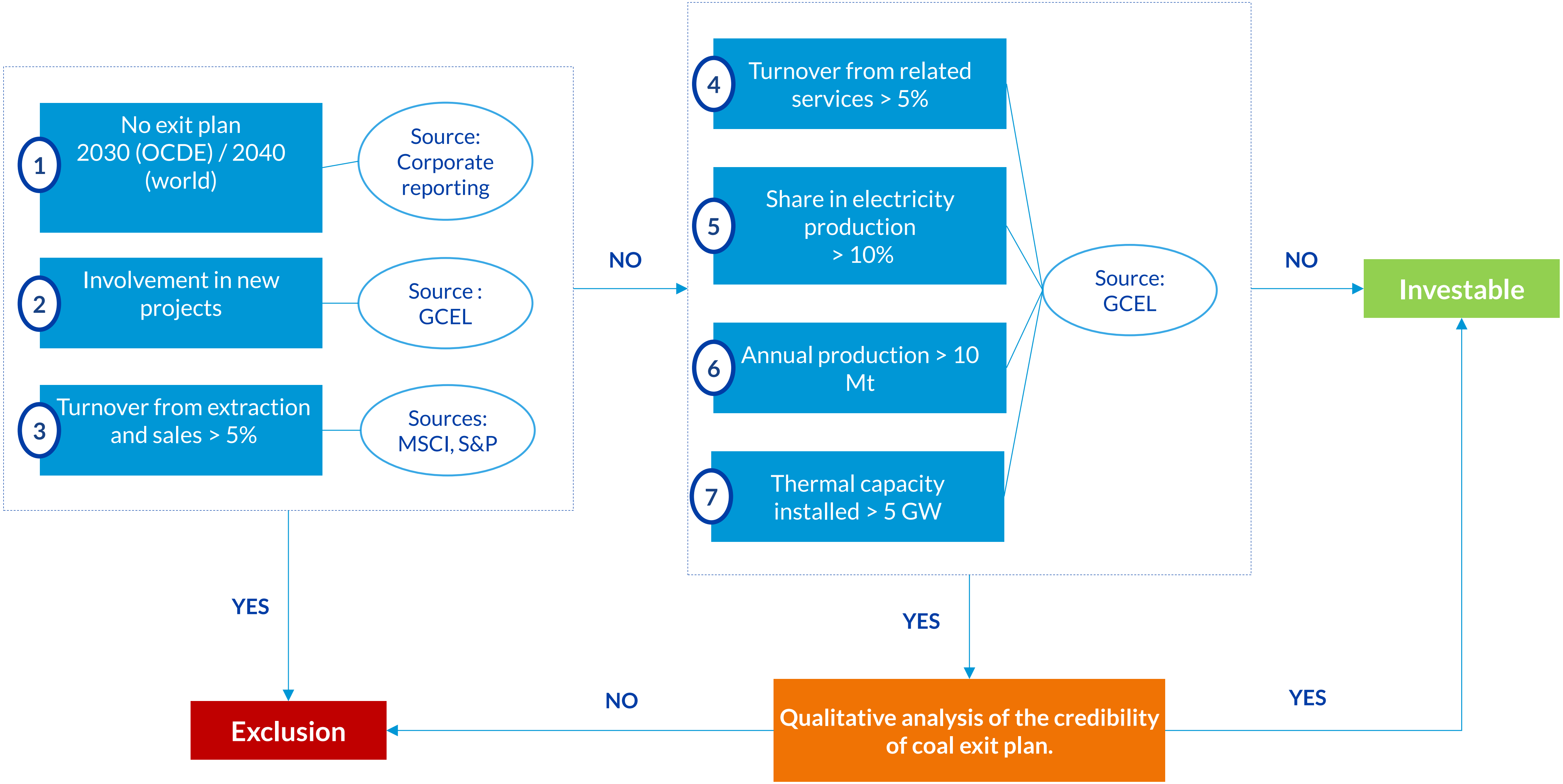
1. **Issuer identification:**

- Companies that generate more than 5% of their turnover from activities linked directly (exploration, transport, etc.) or indirectly (logistics, engineering, operations, etc.) to thermal coal.
- Companies with thermal coal-fired power generation, or alternatively, installed capacity, exceeding 10% of their energy mix.
- Companies whose thermal coal production exceeds 10 million tonnes per year.
- Companies with coal-fired power plants which reprensents more than 5GW of their overall installed capacity.

2. **Qualitative analysis:** LBP AM analyses the **quality and credibility of these companies' coal exit plan**, in particular the quality of governance, the robustness of the company's exit trajectory and climate commitments, the absence of lobbying in favor of thermal coal, and the presence of minimum fair-transition guarantees.

Favourable opinion	Neutral opinion	Unfavourable opinion
If the plan is deemed credible, the company waives the exclusion for the current year, and is subject to annual monitoring to ensure the strategy is being properly implemented, with the possibility of revising the decision.	If the plan does not allow a factual decision to be made as to its credibility, the company is engaged with, to clarify the position and decide on the waiver or exclusion by 12/32 of the current year the latest.	If the plan reveals weak practices, or if the engagement does not allow a factual and timely assessment of its credibility, the company is excluded.

Implementation (summary)



For funds with the French SRI Label, this exclusion and its implementation meet the requirements of the thermal coal exclusion described in Appendix 7 of the Standards, avaiable on the label website.

04.3 Exclusions applied to the oil and gas sector

Principles

LBP AM excludes companies that have not committed to a business model transition aligned with the Paris Agreement.

Context

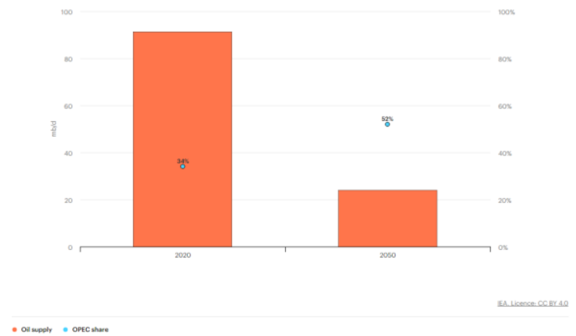
In order to meet the objectives of the Paris Agreement, the IPCC and IEA scenarios **call for major emission cuts across the entire oil and gas value chain** to limit the rise in average temperature to 1.5°C by 2100.

According to the IPCC, to achieve carbon neutrality by 2050, **the carbon intensity of primary energy must fall by around 7.7% per year between 2020 and 2050. According to the IEA, annual energy efficiency must improve by 4% per year until 2030 (i.e. twice as much as achieved in 2022), fossil fuel demand should fall by more than 25% by 2030 and by 80% by 2050,** and significant reduction in global fossil fuels must take place between 2022 and 2050:

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

These scenarios imply there **is no need to explore** new resources, and **no need for new fields** beyond those already approved for development in 2021.

In addition, some **non-conventional energies** generate particularly significant emissions, and/or present a greater risk of « silting up » and/or of 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 have not committed to a business model transition aligned with the Paris Agreement.

Implementation

Exlcusion of non-conventional hydrocarbons

Sectors concerned: Exploration, production, storage, and distribution of non-convention oil and gas.

Type of resources:
- Oil sands and extra-heavy oils,
- Oil and shale gas,
- Oil and gas extracted in the Arctic zone according to the Arctic Monitoring and Assessment Program,
- Oil and gas from boreholes more than 1,000 meters deep.

Criterion for company exclusion: Cumulated turnover generated from non-conventional resources greater than 20%.
Source : *S&P Trucost*

Criteria for project exclusion: *Greenfield* or *brownfield* projects dedicated to unconventional resources.

Exclusion of issuers not committed to the energy transition

Sectors concerned: All sectors alike

Type of resources: Oil and gas

Criterion for company exclusion: Failure to publish a complete carbon neutrality objective for scope 1 and 2 emissions, or to publish a reduction objective for scope 3 GHG emissions, covering a significant scope of activities.
Source : *CDP*

Criterion for project exclusion: Gas (fossil) and oil *greenfields projects.*

Reinforced exclusion for certain strategies *(applicable au 1er janvier 2025)*

SRI-labeled products : specific provisions relating to the national SRI labels for SRI-Labeled funds (see next page).

Traditional debt funds : Companies developing « new capacities » upstream.
Source : Urgewald

Implementation

Focus on sustainable finance products: Additional exclusions for labelled funds

SRI Label V3

(applicable from January 1, 2025)

- Any issuer developing **new projects** for exploration, extraction, and refining of conventional and/or unconventional liquid or gaseous fossil fuels;
- Any issuer that derives **more than 5% of its total** liquid or gaseous fossil fuel production from the exploration, extraction, and refining of **unconventional** liquid or gaseous fossil fuels.
- Any emitter whose main activity is **power production**, and whose power generation activity's carbon intensity is not compatible with the objectives of the Paris Agreement. The thresholds applied are specified in Appendix 7 of the French SRI Label Standards.

Source : Label ISR

Greenfin Label

- Any company developing **new projects** for the exploration, extraction, transportation (pipelines) and refining of solid, liquid or gaseous fossil fuels.
- Any company with **more than 5% of its business activity** in the value chain of exploration, extraction, refining and production of derivatives and other supply of solid, liquid and gaseous fossil fuels.
- Any company with **more than 30% of its turnoever** derived from the transportation, distribution, storage and supply of fossil fuels, or from the production, transporation, and distribution/sale of equipment and services dedicated to excluded companies and activities.

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 recognizes the negative impacts and risks associated with smoking, and has adopted an exclusion policy aimed at reducing the exposure of its portfolios to tobacco.**

Context

Adverse impacts on health: Tobacco-related illnesses claim the lives of **over eight million** people worldwide every year. The World Health Organization (WHO) predict that over the course of the century, **more than a billion deaths** will be linked to these diseases.

In 2004, the WHO defined a framework convention, **the WHO Framework Convention on Tobacco Control**, which recognizes smoking as a global epidemic.

Costs to communities: The WHO also estimates that tobacco costs individuals and States **more than 1,400 billion dollars** (US$) a year in health expenses and lost productivity.

The tobacco industry is also exposed to **other particularly serious risks for people and the environment** (*impacts of marketing on consumers and human rights, child labor and forced labor in tobacco farming, transrency and impact of chemicals in cigarettes on the environment, deforestation…*).

Implementation

LBP AM is a **signatory of the Tobacco-Free Portfolios Initiative** since 2018.

- **The exclusion covers the entire value chain**: producers, distributors, suppliers of products and services.
- **Application:** Systematic exclusion of companies belonging to the **GICS « Tobacco » sector** and of companies **generating more than 5%** of their revenues from tobacco.

Source: *ISS ESG.*

Update: *Quarterly.*

For funds with the French SRI label, this exclusion and its implementation meet the requirements of the tobacco exclusion described in Appendix 7 of the Standards, available on the label website.

04.5 Gambling

Gambling exclusion

LBP AM recognises the impacts and risks to people associated with gambling and certain types of gaming, as well as the vulnerability of stakeholders who engage in these activities.

Context

Eight types of games have been identified: *draw games, scratch cards, horse betting, sports betting, poker, instant win games, casinos and gaming tables.*

The industry represents a **major social cost** due to the impacts of gambling addition and its social consequences (exclusion, isolation, etc.), as well as the risks of impoverishment and excessive debt of many gamblers.

The number of French people suffering from gambling addition continues to rise. According to a suvery by Santé Publique France, **6% of gamblers are considered to have « problematic » gambling habits.** In relation to the population as a whole, these estimates equate to 1 million individuals considered to be « moderate risk gamblers » and **370,000 « excessive gamblers »**. These gamblers alone generate **40% of all gambling-related sales** in France.

The most vulnerable households are likely to be the most impacted. The Observatoire des inégalités 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 also exposed **to money laundering risks**, although it is still difficult to put a figure on this trend.

Implementation

- **Application:** Systematic exclusion of companies belonging to the **GICS « Casinos & Gaming » sector** and companies **generating more than 5%** of their revenue from gambling and games above-mentioned.

  Source: *ISS ESG.*

  Update: Quarterly.

04.6 Deforestation

Deforestation exclusion: principles

LBP AM has adopted a transverse policy aimed at excluding mining companies, producers and traders of agricultural commodities that present **a high risk of contributing to deforestation,** and that have not implemented sufficient measures to prevent this negative impact.

Context

Forests provide a wide range of **essential ecocsystem 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 have established a strategic plan for forests that includes a target **to increase the global forest area by 3%** by 2030.

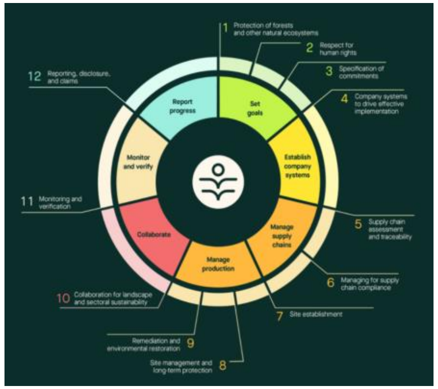
Although the rate of net loss of forest area has decreased considerably since 1990, **deforestation and forest degradation** continue at an alarming rate, jeopardising the achievement of this target.

LBP AM's deforestation exclusion policy is based on a risk-based approach. It focuses on the **first stages in the agricultural value chain**, which have a direct link with the negative impact, **and on mining companies**, as the correlation between certain mining operations and deforestation fronts can be significant, depending on the types of minerals and metals mined.

Reference standards and 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 up to 2050, focusing on the health of ecosystems and species.**
- **Accountability Framework Initiative**: The « *Accountability Framework* » is a roadmap for **building 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

Issuer identification ▶ **Enhanced due diligence**

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

- **Producers and traders of agricultural raw materials deemed to be at high risk of deforestation,** according to the French National Strategy against Imported Deforestation and the European Regulation 995/2010 on deforestation, i.e.:

Soja | Café | Huile de Palme | Bois, papier, pâte à papier et dérivés | Cacao | Caoutchouc | Bovins et produits dérivés (dont le cuir)

Sources : *MSCI, CDP, SPOTT*

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

Source : *RepRisk*

1 Companies at risk due to the production and sale of certain agricultural commodities

Due diligence is carried out on identified companies to assess their **deforestation risk and impacts management policies** and their implementation, in line with the Accountability Framework Initiative.

Expectations towards companies include the following:

- ***Riskmapping***
- ***Commitment*** *to a Zero Deforestation and Conversion target for 2025, covering a holistic perimeter.*
- ***Translating this objective*** *into contracts and in the value chain.*

If the results of the due diligence fall short of these expectations, the issuer is excluded.

Update: *Annual*

2 Mining companies

A qualitative analysis is carried out to evaluate:

- ***Measures*** *implemented by the company* ***to remediate and compensate*** *for impacts.*
- ***Prevention measures*** *adopted and implemented by the company.*
- ***Implementation of compensation for activities that have led to deforestation*** *or conversion in accordance with the « No Net Loss » principle.*
- ***Commitment*** *to aligning its objectives with those set out in the* ***Kunming-Montreal Global Framework for Biodiversity.***

If the results of the due diligence fall short of these expectations, the issuer is excluded.

04.7 Biodiversity

Biodiversity Exclusion: Principles

LBP AM's Biodiversity exclusion policy aims to limit its exposure to companies that have the most serious and irreparable impacts on biodiversity.

Context	Reference standards and guidelines
Biodiversity is defined as the **variety of life forms on Earth**. It provides **irreplaceable and indispensable** services and goods to manking, such as: Supplies, such as food, water, pharmaceuticals, minerals, etc. Regulation, such as shore protection, climate protection and pollination, etc. Cultural benefits, essential for local communities and for a sustainable economic activity. Businesses' economic activities can damage biodiversity, ecosystem services and natural capital stocks. The dysfunction of the main ecosystem services **would represent around 1.5 times the global GDP.** **LBP AM's biodiversity exclusion policy aims to limit its exposure to companies with serious and irreversible impacts on biodiversity..**	• **Kunming-Monteral 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, focusing on the health of ecosystems and species.** • **United Nations Convention on Biological Diversity:** Reference convention on the preservation of biodiversity. The signatory States undertake to adopt « National Biodiversity Strategies ». • **Science Based Target Networks:** An initiative that helps companies define targets for action to preserve biodviversity. • **Taskforce for Nature-Related Financial Disclosure:** An initiative developing a voluntary reporting framework dedicated to natural capital.

Implementation

Issuer identification

Identification of issuers with the most serious and irreversible impacts on biodiversity through several sources:

- **Analysis of sectors** presenting critical risks to biodiversity *(Sources: ENCORE, ONU)*
- **« Biodiversity Impact Analytics » Database** powered by the « Global Biodiversity Score » *(BIA-GBS)*
- **Controversy indicators** *(Sources: ISS, MSCI, RepRisk)*
- **Specialised NGO reports.**

Scope:

- **Absolute footprint** greater than 50 000 msa.ppb
- **Very high footprint** relative to their peers for companies operating in **high-impact sectors** (energy, agri-food, beverages, materials, transports, utilities, etc.)
- **Severe controversies** regarding biodiversity.

Update: *Annual*

Enhanced due diligence

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

- The company has adopted a **biodiversity policy.**
- The company has carried out a **risk mapping and assessment** on biodiversity and its dependencies.
- The company has adopted **objectives to protect biodiversity and reduce its impacts,** in line with international standards and with clearly defined deadlines.
- The company has adopted **an action plan with a fixed time horizon,** and has set intermediate targets to reach its objective.
- The company has integrated the notion of **dependence on natural capital** and ecosystem services into its risk management policy and practices.
- The company reports on **indicators or metrics** concerning its dependencies or impacts on biodiversity and their evolution, in order to report on progress.

04.8 Pesticides

Pesticides exclusion

LBP AM excludes from its investments companies that derive more than 20% of their revenues from the manufacture or sales of pesticides, including herbicides, fungicides and insecticides.

Context

The term « pesticides » covers two types of substances:

- *Biocides,* which aim at destroying, repelling or rendering harmless « harmful » organisms, such as insects, rodents, bacteria, etc.
- *Phytopharmaceutical or phytosanitary products*, used to protect cultivated plant species against insect pests and diseases, and to improve yields.

The negative impacts of pesticide use can be the following:

- *Decline* in insect and pollinator populations.
- *Disruption of biodiversity and ecosystems*, through the direct or indirect disappearance of certain animal, insect or plant species.
- *Water pollution*, threatening the integrity of flora and fauna, as well as human health.
- *Soil pollution*, with potential harmful consequences for soil organisms and human health.
- *Stronger resistance of certain organisms to pesticides*.
- *Potential impacts on human health*, some molecules having been declared carcinogenic or endocrine-disrupting.

Reference standards and guidelines

Several international targets have been set to **reduce pesticide use** and promote **alternative, and more sustainable agricultural practices:**

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

Implementation

- **Application:** Companies generating more than **20% of their revenue from the manufacture or sales of pesticides.**

Source: *Sustainalytics*

Update*: Quarterly.*

04.9 Pornography

Pornography exclusion

LBP AM excludes from its investments companies that derive more than 5% of their revenue from the production or distribution of pornography-related products and services.

Context

In a June 2024 report entitled « Prostitution and violence against women and girls », presented to the UN Human Rights Council, **the UN Special Rapporteur** on violence against women and girls, its causes and consequences, recalls that:

- Although not defined by international law, pornography is to be considered as a form of sexual exploitation (§49) and as a variant of prostitution (§57a), pornography being *« understood as filmed prostitution »* (§57b).
- Distribution platforms and producers are *« accomplices, by facilitating exploitative practices in certain branches of the industry »* (§53).
- In the United States, Aylo Holdings (formerly MindGeek) admitted to profiting from trafficking and sexual exploitation and paid a $1.8 million fine to avoid criminal prosecution in connection with the videos posted on its website (§25).
- Violence is omnipresent in pornography: « An analysis of popular pornographic videos carried out in 2010 showed that 88.2% of scenes contained acts of physical aggression » (§15).
- « In 2018, average age of first exposure to pornography for boys worldwide was 12 » (§20). According to the report, this would have resulted in the « *quadrupling of the number of underage victims of sexual offences over the past decade* », as well as « *an increase in the sexual exploitation and prostitution of children* », in particular girls, « trapped in prostitution at ever younger ages, sometimes as young as eight » (§21).

In France, the report « Porno : l'enfer du décor » by the Senate's women's delegation, denounces a pornography industry that **generates systemic violence against women**. In particular, it calls for the fight against pornographic violence and its consequences **to be made a public and criminal policy priority.**

In view of the risks associated with pornography, recognized both in France and internationally, LBP AM excludes from its investments companies that derive more than 5% of their revenue from the production or distribution of pornography-related products and services.

Implementation

- Application : Companies generating more than **5% of their revenue from the production or distribution of pornography-related products and services.**

Source: ISS

Mise-à-jour*: Trimestrielle*

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