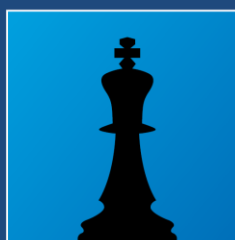


SOCIALLY RESPONSIBLE INVESTMENT

# TRANSPARENCY CODE

## AFG - FIR

*(Updated September 2016)*



LA FINANCIERE DE L'ECHIQUIER



LA FINANCIERE DE L'ECHIQUEUR

## *Introduction*

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### **Statement of Commitment**

Socially Responsible Investment is an essential part of the strategic positioning and fund management behaviour of Echiquier Major and Echiquier ISR. We have been engaged in SRI since 2007 and welcome the European SRI Transparency Code.

This is our fifth statement of commitment which covers the period from September 2015 to August 2016.

Our full response to the European SRI Transparency Code can be accessed below and is available on our website.

### **Compliance with the Transparency Code**

La Financière de l'Echiquier is committed to transparency and we believe that we are as transparent as possible given the regulatory and competitive environments that exist in the countries in which we operate.

The Echiquier Major and Echiquier ISR funds meet the full recommendations of the European SRI Transparency Code.

**Date:** 15/09/2016



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## *1. Basic details*

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### **The Fund Management Company**

- a. Provide the name of the fund management company managing the fund(s) to which this code applies.**

LA FINANCIÈRE DE L'ECHIQUIER  
53 avenue d'Iéna – 75116 PARIS  
<http://www.lfde.com/>

- b. Describe the general approach of the fund management company with regards to how it takes Environmental, Social and Governance (ESG) criteria into consideration.**

#### **General approach**

La Financière de l'Echiquier's approach takes into account ESG criteria in accordance with its Corporate Social Responsibility (CSR) policy.

La Financière de l'Echiquier has been a signatory of PRI since 2008. The report evaluating PRI for 2016 is available at our website on: <http://www.lfde.com/la-societe/investissement-responsable/> section "Our documents".

At the end of 2012, La Financière de l'Echiquier also joined the Carbon Disclosure Project (CDP). Supported by the UNEP program (United Nations Environment Programme), the CDP promotes greater disclosure by companies about their climate impacts.

#### ***How environmental, social and governance criteria are taken into consideration.***

La Financière de l'Echiquier applies a conviction-driven stock-picking management approach based on an in-depth knowledge of the companies selected in its mutual funds. The analysis of the extra-financial criteria (environmental, social and governance criteria) significantly contributes to developing a better understanding of these companies and making a better assessment of the risks. For that reason La Financière de l'Echiquier has integrated this ESG approach into its analysis of the companies making up its portfolios.



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Our investment decisions have consistently accorded considerable importance to the quality of management and good governance, evaluated in particular through systematic meetings. Since 2007, these two criteria have been enhanced by an analysis of environmental and social criteria for the purpose of assessing the company's responsible and sustainable behaviour.

This integration of ESG criteria is applied across all mutual funds invested in European equities:

- On 31/08/2015, 66% of the companies in funds invested in European equities are covered by extra-financial analysis.
- Since 2007, meetings were organized by La Financière de l'Echiquier with nearly 500 companies and entirely devoted to addressing extra-financial issues.

In line with the Ottawa (1997) and Oslo (2008) conventions on anti-personnel landmines, La Financière de l'Echiquier excludes any direct investment in equities and bonds in companies that manufacture, store and transfer cluster bombs and anti-personnel landmines.

With the exception of Echiquier ISR which applies a certain number of sectorial exclusions (see page 9) and Echiquier Major which also excludes manufacturers of tobacco products and arms, no sectorial exclusion is applied, reflecting La Financière de l'Echiquier's preference for the principle of continuous improvement as opposed to the principle of exclusion. In these controversial sectors, La Financière de l'Échiquier pays considerable attention to efforts taken by companies to limit problems caused by their activities (awareness-raising or prevention policies).

### **The ESG engagement policy**

To go even further, in 2013 we formalized an approach to track progress made by all companies in which we are invested, based on extra-financial criteria. Indeed, we primarily value companies engaged in focusing on achieving progress. Our approach is organized around three key lines of action:

- Our initial meeting with the companies is critical for obtaining a good understanding of the extra-financial issues they face;
- At the end of this meeting, if we consider appropriate, a letter is sent to the company in order to identify together two or three priorities where improvements will be expected. Our wish is that the targets for progress shared with the company, be realistic, measurable and auditable. Once defined, these progress areas are formalized in writing and transmitted to the company;
- During the follow-up meeting, we jointly assess progress achieved according to objectives that have been formalized in advance.

A brief presentation of our progress approach is available at our website on the page <http://www.lfde.com/la-societe/investissement-responsable/> section "Our documents".

### **Voting policy**



LA FINANCIERE DE L'ECHIQUEUR

The voting policy defined by La Financière de l'Echiquier is presented on its website. A report on our voting policy and the exercise of voting rights is available at our website on page <http://www.lfde.com/la-societe/investissement-responsable/> section "Our documents".

When the UCITS managers of La Financière de l'Echiquier invest in listed companies, they assert their total confidence in the management and are in agreement with the strategy set by the latter. In consequence, there are in principle no fundamental reasons to be in disagreement with management regarding the resolutions the latter submit to shareholders' general meetings for approval. These concern decisions entailing a modification to the articles of association, the approval of financial statements and the appropriation of earnings, the appointment and removal of corporate bodies and the appointment of statutory auditors.

Nevertheless, La Financière de l'Échiquier examines with attention any resolution that is unfavourable to the interests of the company or its minority shareholders and exercises considerable vigilance regarding five particular issues:

- The issuance of shares without preferential subscription rights,
- Capital increases in the case of takeover bids and any other anti-takeover measures.
- The issuance of equity warrants (BSA or *bons de souscriptions d'actions*) or any other securities giving access to the capital to the exclusive benefit of a selected category of shareholders (for example employees) resulting in consequence in a dilution for other shareholders.
- The approval of regulated agreements, if their content is contrary to the rules of good governance or is not easily accessible.
- The management compensation plan must be aligned with the interests of shareholders.

In consequence, in the specific case of protecting the interests of minority shareholders, who are indirectly La Financière de l'Echiquier fund unit holders, the fund management company reserves the right to vote against or abstain from voting such resolutions.

### **The promotion and development of SRI**

All our SRI initiatives are presented on our website: <http://www.lfde.com/>

Furthermore, La Financière de l'Echiquier published a white paper in 2010 for sharing key findings based on three years of experience in this area. An updated version of this document can be consulted at our website on the page <http://www.lfde.com/la-societe/investissement-responsable/> section "Our documents".

La Financière de l'Echiquier also publishes every quarter in a newsletter an article addressing sustainable development issues for the purpose of raising awareness of our customers about and explaining our approach. These articles are available on <http://www.lfde.com/category/actualites-isr/>



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In addition to these internal actions, La Financière de l'Echiquier is a regular participant in SRI events and contributes to work addressing these issues. For instance, we are members of the SRI Commission of the French Asset Management Association (*Association Française de la Gestion Financière* or AFG), participate in SRI roundtables and organize as part of the Responsible Finance week, an event for our clients and prospects.

**c. Describe/List your SRI products and the specific resources allocated to your SRI activities.**

**Briefly describe the SRI fund range**

100% of the equity funds invested in Europe by La Financière de l'Echiquier incorporate social, environmental and corporate governance criteria in the investment process.

The fund range of La Financière de l'Echiquier can be divided into three distinct categories:

*SRI UCITS funds open to the public (15% of La Financière de l'Echiquier's UCITS assets under management at 26/08/2016)*

SRI funds systematically integrate environmental, social and governance criteria in their financial management.

- ECHIQUEUR MAJOR, an SRI UCITS that adheres to the AFG/FIR transparency code and with an SRI label granted by Novethic in 2015;
- ECHIQUEUR ISR, an SRI UCITS that also adheres to the AFG/FIR transparency code and which selects the best rated stocks in La Financière de l'Echiquier's European equities investment universe.

*UCITS open to the public integrating ESG criteria (54% of La Financière de l'Echiquier's UCITS assets under management at 26/08/2016)*

ESG integration means that environmental, social and governance criteria are taken into account in the traditional management, without having a systematic impact on the portfolio stock-picking process.

- All other UCITS within the European equities range also take into account ESG in their management process, without however applying a specialized approach or adopting the AFG/FIR code. Non-European stocks are not subject to an ESG rating.

*Other OPCVM open to the public:*

- Bond and convertible bonds funds do not integrate ESG criteria in their investment processes.



LA FINANCIERE DE L'ECHIQUIER

## **Presentation of the team**

ESG research is carried out by the whole fund management team of 28 people at 31 August 2016 and by the SRI team comprised of an SRI fund manager and an SRI analyst. We do not make use of rating agencies and prefer an in-house approach for our extra-financial analysis as for our financial analysis.

Extra-financial information is shared among the whole fund management team on a very regular basis by means of a weekly meeting, emails providing summaries of all meetings and the corresponding SRI ratings. Our capacity to initiate debate with companies and forge an opinion about their state of progress is based on the development of an extra-financial culture shared by the entire research team of La Financière de l'Echiquier.

### **d. Describe the content, frequency and resources allocated/used by the fund management company to inform investors about the ESG criteria taken into account.**

Extra-financial information is available on the La Financière de l'Echiquier website, on <http://www.lfde.com/la-societe/investissement-responsable/>

Every quarter, La Financière de l'Echiquier's monthly newsletter includes a section providing information on La Financière de l'Echiquier's SRI developments.

Every year, we organize a special SRI event for institutional investors to inform them about developments in our approach.



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## The SRI Fund(s)

**e. Provide the name of the fund(s) to which this Code applies and its (their) main characteristics**

**Fund names:** Echiquier Major  
**Net assets of 26 August 2016:** €1.1 billion  
**Currency:** Euros (€)  
**SRI focus:** "Best in universe" and "best efforts" ESG analysis focus  
**Fund category:** Mutual fund  
**Benchmark:** MSCI Europe (reinvested dividends)  
**Total expenses on AuM:** at the end of 2015, 3.08% incl. VAT, of which management fees: 2.392 incl. VAT  
**Financial performance history:** <http://www.lfde.com/les-fonds/echiquier-major/>

Echiquier Major is a stock-picking fund that invests in European large caps (a 60% minimum of the fund) and mid-caps with a focus on long-term returns. This fund is positioned in growth stocks occupying leadership positions in their industry.

The complete prospectus, the annual reports and the monthly notices for Echiquier Major are available on request from:

La Financière de l'Echiquier - 53 avenue d'Iena - 75116 Paris

These items are also available from the website: <http://www.lfde.com/> using the following link <http://www.lfde.com/les-fonds/echiquier-major/>

Furthermore, quarterly reporting of extra-financial analysis of the fund can be obtained from the above link and La Financière de l'Echiquier's website at the following address: <http://www.lfde.com/la-societe/investissement-responsable/> section "Our documents".

The complete list of portfolio investments (subject to a six-month time lag) is available at the La Financière de l'Echiquier's website at the following address: <http://www.lfde.com/les-fonds/echiquier-major/>.

**Fund names:** Echiquier ISR  
**Net assets of 31 August 2015:** €1 million  
**Currency:** Euros (€)  
**SRI focus:** "Best in universe" ESG analysis focus and exclusion  
**Fund category:** Mutual fund  
**Benchmark:** MSCI Europe (reinvested dividends)  
**Total expenses on AuM:** at the end of 2015, 3.27% incl. VAT, of which management fees: 2.392 incl. VAT  
**Financial performance history:** <http://www.lfde.com/les-fonds/echiquier-isr/>





LA FINANCIERE DE L'ECHIQUEUR

Echiquier ISR is a stock-picking fund investing all market cap categories of European equities (with small and mid caps representing a 60% maximum of the fund) and seeking long-term returns. The fund selects issuers distinguished by the quality of their governance and their social and environmental policy.

The complete prospectus, the annual reports and the monthly notices for Echiquier ISR are available on request from:

La Financière de l'Echiquier - 53 avenue d'Iena - 75116 Paris

These items are also available from the website using the following link <http://www.lfde.com/les-fonds/echiquier-majorisr/>

Furthermore, quarterly reporting of extra-financial analysis of the fund can be obtained from La Financière de l'Echiquier's website at the following address: <http://www.lfde.com/les-fonds/echiquier-isr/>

The complete list of portfolio investments (subject to a six-month time lag) is available at the La Financière de l'Echiquier's website at the following address: <http://www.lfde.com/les-fonds/echiquier-isr/>.

**f. What is (are) this (these) fund(s) trying to achieve through taking into account ESG criteria?**

Considerable importance is attached to extra-financial criteria for the Echiquier Major and Echiquier ISR funds.

**Echiquier Major**

Given the investment focus of this fund (European leaders and growth stocks), we believe that ESG analysis is fundamental: these companies must attract the best talent and anticipate changes in social and environmental regulations to achieve a lasting leadership position. ESG analysis provides a way to enhance our understanding of these companies and thus minimize our risks as an investor.

In addition, Echiquier Major is committed to selecting the companies with the best rating according to extra-financial criteria in its investment universe ("best in universe" approach) or companies demonstrating continuing improvements in their ESG practices over time ("best efforts" approach). This requires determining if the companies are pursuing a genuine improvement approach based on ambitious targets. Meeting after meeting, we verify that the company has effectively achieved the expected progress targets, in order to minimize its risks.

In Echiquier Major's specific case, the fund applies an extra-financial filter to the stock-picking process: on this basis, companies must have a minimum SRI score greater or equal to 6.0/10. The average SRI score for the portfolio (simple average) was 7.2/10 at 26/08/2016.



LA FINANCIERE DE L'ECHIQUIER

For information, we have a tolerance for the inclusion of issuers with a score between 5.0/10 and 6.0/10 (greater or equal to 5.0/10 and less than 6.0/10) of 5%. To date, no issuer has been concerned by such a score.

The fund's extra-financial objective: raise awareness for companies about those ESG subjects having the most concrete relevance for them and help them achieve progress in ESG issues by engaging in a regular dialogue with them and sharing specific lines of action for improvement to be followed over time.

### **Echiquier ISR**

This fund seeks to select companies with the best extra-financial ratings within its investment universe ("best in universe" approach), and namely European stocks within all market cap categories having received a score by the analysts. As for Echiquier Major, ESG analysis provides a way to enhance our understanding of these companies and thus minimize our risks as an investor.

In addition, Echiquier ISR is committed to selecting the companies with the best rating according to extra-financial criteria in its investment universe ("best in universe" approach). Meeting after meeting, we verify that the company continues to make progress in social, environmental and governance areas and has effectively achieved the expected progress targets, in order to minimize its risks.

In Echiquier ISR's specific case, the fund applies an extra-financial filter to the stock-picking process: on this basis, companies must have a minimum SRI score greater or equal to 7.0/10. The average SRI score for the portfolio (simple average) was 7.6/10 at 26/08/2016. This fund in addition excludes any investment in a company deriving more than 10% of its revenue from the sale of tobacco, alcohol, pornographic films, arms, gambling and fossil fuels.

When a company's note is downgraded and falls below the 7.0/10 threshold, the manager is given a reasonable period to remove the stock from the portfolio. To date, no issuer has been concerned by such a score.

As for Echiquier Major, Echiquier ISR's extra-financial objective is to contribute to progress by companies regarding ESG issues by engaging in a regular dialogue with them and sharing specific lines of action for improvement to be followed over time.



## 2. Approach to ESG Evaluation of Companies

### **a. What fundamental principles underlie the ESG research methodology?**

Our ESG analysis methodology is organized according to four fundamental steps:

1. Research: analysis of the publications of the company concerned relating to governance and how it takes into account the social and environmental impacts of its activities.
2. Meetings: contacts and formal meetings with key persons of the company;
3. Rating in tandem (manager and/or analyst and the SRI team);
4. Monitoring ESG performances of companies held in the portfolio on a regular basis.

#### Research

The selection of stocks to be included in the portfolio is based on a detailed analysis combining financial and extra financial criteria. Reviewing annual reports and sustainable development reports contributes to an in-depth understanding of the key challenges of the company. External sources such as NGO reports or articles of specialized websites provide us with another very useful point of view to elicit responses from our contacts. In order to further enrich its extra-financial culture, the SRI team may also rely on the press, broker studies as well as meetings with specialists and by participating in numerous events.

#### The meeting

The meeting offers a concrete idea of progress achieved by companies in the area of sustainable development. This meeting is conducted jointly with the manager or analyst possessing the most knowledge about the company in question.

During SRI meetings our main contacts generally include the chief executive officer, the sustainable development officer or the chief financial officer. Meetings with more specialized persons (purchasing, R&D or HR managers) also are extremely useful for analysing key subjects of the company. In the course of these meetings, we exchange views about key issues relating to governance and environmental and social challenges by identifying positive aspects and areas for progress.

#### SRI Rating

At the end of each SRI meeting, a score is produced of each company reflecting *our assessment of the extra-financial approach*. This score provides a threshold for eligibility for inclusion in the two SRI funds. These extra-financial criteria are in this way combined with



LA FINANCIERE DE L'ECHIQUEUR

other financial evaluation criteria and a synthesis of these different items provides the basis for our investment decision.

### Tracking on a regular basis ESG performances of companies in the portfolio

We carry out on average follow-up SRI meetings every two years to monitor companies included in the SRI funds. The fund management team also remains informed about any event that might have an impact on the extra-financial assessment of the companies in the portfolio.

In addition, all the reports of our SRI meetings and the extra-financial scores of stocks are maintained in our database and accessible to the entire fund management team. In this way, it is possible to produce at any time, and at least every quarter, a report presenting the extra-financial scores of stocks held in the SRI funds.

### **b. What internal and external resources are used to carry out this research?**

#### **Extra-financial rating agencies**

Even though La Financière de l'Échiquier has been assisted in the construction of its SRI methodology by the extra-financial rating agency, Ethifinance, it was decided to perform the extra-financial analysis exclusively in-house in order to ensure the greater participation of the managers.

Accordingly, we do not use ratings of external extra-financial rating agencies.

#### **Internal analysis**

We have formally defined a questionnaire entitled "9 questions for responsible companies". This questionnaire is built upon four sustainable development pillars (governance, human resources, the environment and stakeholders). It covers the policies implemented by the companies and the concrete results that allow us to monitor their actions in each area.

For our analysis, we refer to the following sources:

- Reviewing public documents in advance of each meeting (annual reports, sustainable development reports, etc.),
- Consulting the reports of NGOs or brokers on specific SRI subjects and press articles,
- UN Global Compact database,
- Meetings organized systematically with management accompanied by follow-up meetings every two years,
- On-site visits and meetings with various field managers (HR, quality, environmental managers, chief legal officer),
- Membership of two expert networks to enhance our knowledge about specific issues (Gehron Lehman Group and ThirdBridge), that we consult on a regular basis to develop our understanding of a given sector or issue related to our extra-financial approach (environmental impacts of shale gas, solar energy technologies, etc.),



LA FINANCIERE DE L'ECHIQUEUR

- Our subscription to OFG research on the subject of governance, which provides us with additional insight about the quality of boards of directors of the companies in which we invest.
- The subscription to the Sustainalytics research service to monitor developments on controversial topics.

### c. Which ESG analysis criteria are used?

Our analysis is based on the following key ESG criteria:

Management quality:

- Expertise: industry legitimacy and managerial capacity.
- Governance: the independence of directors, the complementary nature of their functions, separation of the functions of chairman and chief executive officer, respecting minority shareholders, transparency and the availability of financial communications, the independence of committees, quality of risk management controls.

Responsibility:

- Environmental aspects: implementation of an environmental management system, compliance with existing and future regulations, management by clearly defined and dated objectives, certification of sites, ecodesign and product lifecycle analysis, presentation of results over the long-term and evolving trends, the policy for monitoring the supply chain and product impacts.
- Social aspects: the employee retention and career management policy, the training policy, the quality of dialogue between employees and management, health and safety employee protections, monitoring situations in the case of restructuring measures, supply chain control policy and product impacts.

The Responsibility score takes into account the type of company:

- For manufacturing companies: the social and environmental criteria are equally weighted within the Responsibility score.
- For service companies: the Social score represents 2/3 of the total Responsibility score whereas the Environmental score represents 1/3.

The progress approach:

- The shared definition of progress areas and monitoring achievements over time influence the Governance score for all our stocks. We value companies that accept to set objectives and commit to improve themselves on shared progress areas. The follow-up meeting provides an opportunity to evaluate progress achieved by the company.



LA FINANCIERE DE L'ECHIQUIER

**d. What is your ESG analysis and evaluation methodology (how the investment universe is built, rating system...)?**

The ESG evaluation system is presented below:



LA FINANCIERE DE L'ECHIQUEUR

	Industry	Services
<b>GLOBAL SRI SCORE</b>		
<b>MANAGEMENT QUALITY &amp; GOVERNANCE SCORE</b>	<b>62.5%</b>	<b>62.5%</b>
Management team skills	50%	50%
System of governance	50%	50%
Counter-power	34%	34%
Suitability of the stock market project	33%	33%
Evaluation of extra-financial risks	33%	33%
<b>RESPONSIBILITY SCORE</b>	<b>37.5%</b>	<b>37.5%</b>
<b>Social</b>	<b>50%</b>	<b>66%</b>
Employee retention and career development	34%	34%
Protection	33%	33%
Supply chain monitoring	11%	11%
Social impact of products	11%	11%
Civil society relations	11%	11%
<b>Environment</b>	<b>50%</b>	<b>34%</b>
Policy	33%	33%
Actions and results	33%	33%
Supply chain monitoring	17%	17%
Environmental impact of products	17%	17%

The scoring scale ranges from 0 to 10.

Our progress approach is included in our SRI rating without introducing additional scores.

Two items are rated in a distinct manner: the relevance of improvement priorities validated by the company and the actual achievement of progress measured during the follow-up meeting.

- Regarding the relevance of the improvement objectives validated by the company: we seek to determine if the company accepts to set objectives and selects relevant improvement priorities. Our assessment is reflected by the "Evaluation of extra-financial risk" criteria included in the Governance section. Indeed, the relevant evaluation of improvement priorities by a company in our view illustrates the level of involvement and skills of their management in these areas. During follow-up meetings, we reassess the company's capacity and willingness to define relevant objectives. As for other criteria, the "Evaluation of extra-financial risk" score will be accordingly reviewed.
- Concerning the genuine effective achievement of progress: The follow-up meeting provides in our view an opportunity to evaluate progress achieved by the company. Progress achieved or the absence of progress directly impacts the overall SRI score. If for example the overall SRI score falls below 6.0/10 for Echiquier Major or 7.0/10 for Echiquier ISR, these funds can no longer remain invested in this company. Fund



LA FINANCIERE DE L'ECHIQUEUR

managers have a reasonable time period (6 to 12 months) to divest their position if no improvement is seen during this period.

**e. How frequently is the ESG evaluation reviewed?**

The methodology is revised every year. In 2010, we revised our rating system for some simplification purposes. We shifted from a rating system based on 4 ESG criteria (P: stakeholders) to an ESG rating in which the impact of stakeholders is taken into account in a balanced fashion between environmental and social criteria, in line with generally accepted practices in English-speaking world. This modification did not have an impact on the SRI score of companies.

Furthermore, SRI comments and ratings of companies are systematically reviewed in-house by the whole fund management team.

We also had our ESG analysis methodology audited in 2010 by Axylia Conseil, a specialized SRI consulting firm.

In 2013, as part of the progress approach, the ESG evaluation was reviewed. New parameters (achievement of progress areas) impacted this rating

Since 2013, we have not made any significant changes to our methodology.

### ***3. Fund Management Process***

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**a. How do you take into account ESG criteria when defining the universe of eligible investments?**

La Financière de l'Echiquier has chosen to integrate ESG into the management of all European equity mutual funds.

**Echiquier Major**

This ESG analysis has an impact on Echiquier Major that invests exclusively in companies having an extra-financial score equal to or greater than 6.0/10. The fund accordingly applies an extra-financial filter to the selection of stocks. A score equal to or greater than 6.0/10 means that the company overall properly identifies and manages the ESG risks with potential to impact it. By systematically ensuring that it does not purchase stocks with an SRI score less than 6.0/10, our aim is to minimize the risk weighing on our investments.

It will be however remembered that we have a tolerance for the inclusion of issuers with a score between 5.0/10 and 6.0/10 (greater or equal to 5.0/10 and less than 6.0/10) of 5%. To date, no issuer has been concerned by such a score.





LA FINANCIERE DE L'ECHIQUEUR

At 31/08/2016, the resulting rate of the Echiquier Major fund's selectivity was 22%.

### **Echiquier ISR**

The ESG analysis impacts Echiquier ISR through the use of the extra-financial score as eligibility criteria. This fund invests exclusively in companies having an extra-financial score equal to or greater than 7.0/10. The fund accordingly applies an extra-financial filter to the selection of stocks. A score equal to or greater than 7.0/10 means that the company is distinguished by the quality of its governance, its social and environmental policy but also that it effectively manages the ESG risks to which it is exposed.

In addition, this fund excludes any investment in companies deriving more than 10% of their revenues from the sale of tobacco, alcohol, pornographic films, arms, gambling and fossil fuels.

At 31/08/2016, the resulting degree of selectivity of the Echiquier ISR fund was 67%.

#### **b. How do you take ESG criteria into account into the portfolio construction?**

As mentioned, Echiquier Major and Echiquier ISR only invest in stocks having an extra-financial score equal to or greater than 6.0/10 and 7.0/10, respectively. In general, this score does not constitute a reason for removing a company from the fund.

In contrast, when the stock price is close to our price target, the extra-financial score influences our decision to hold (in the case of a good score) or sell off the entire position (in the case of a low score).

Furthermore if the SRI score of a company falls below 6.0/10 for Echiquier Major or 7.0/10 for Echiquier ISR, these funds are prohibited from adding to this position and the fund management team initiates a dialogue with the company on areas for improvement. If no improvement is noted within a reasonable time-frame (6 to 12 months), the stock will be removed from the fund.

#### **c. Does (do) the fund(s) have a specific ESG engagement policy?**

These two funds have a specific engagement policy.

For La Financière de l'Echiquier, shareholder engagement is reflected by a structured approach initiated in 2012. This includes, in addition to ESG dialogue, measures seeking to impact fund management including up to disinvestment, as well as the use of its shareholder rights in general meetings (voting right). This approach is also applied to all funds.



LA FINANCIERE DE L'ECHIQUEUR

The three components (E, S and G) are a part of this approach.

As a shareholder, we want to participate at our level in an improved consideration of extra-financial issues by companies. This is why in 2013 we initiated an approach seeking to define with companies improvement paths that are realistic, measurable and auditable which we undertake to monitor over time. The SRI team is responsible for implementing this initiative.

In addition, the SRI team responds positively to requests by companies to, for example, participate in "stakeholder" panels or respond to questionnaires enabling companies to define and prioritize their major ESG challenge, and in this way contribute to their continuing progress.

**d. Does (do) the fund(s) have a specific voting policy integrating ESG criteria?**

We follow the same voting policy for all our funds. For the Echiquier Major and Echiquier ISR funds we have undertaken to systematically vote for all companies included in their portfolios.

In addition, Echiquier Major and Echiquier ISR, as with all other La Financière de l'Echiquier funds, apply the voting policy principles presented in 1b).

For all La Financière de l'Echiquier's funds and in particular the SRI funds, Echiquier Major and Echiquier ISR, the governance criteria are carefully taken into account in our votes on resolutions.

The social criteria is more incidentally largely included in the assessment of authorizations for capital increases reserved for employees and plans for the grant of securities giving access to capital (stock warrants, stock options...). While environmental criteria are very rarely represented in the draft resolutions, they would of course be taken into account if the case occurs for one of the funds' investments.

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

La Financière de l'Echiquier does not engage in security lending activities.

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

Even though these instruments are authorized by the fund rules, Echiquier Major does not use derivative instruments. The Echiquier ISR prospectus does not provide for the possibility to use derivatives.



LA FINANCIERE DE L'ECHIQUIER

- g. Is a share of the fund(s) invested in unlisted entities pursuing strong social goals?**

No

#### ***4. Controls and ESG Reporting***

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- a. What internal/external control procedures are in place to ensure the compliance of the portfolio with the ESG rules defined in section 3 of this Code?**

The financial and extra financial analyses systematically carried out by the fund management team are formalized and permit continuous first and second level controls of all rules defined for all the portfolios under management. In consequence, the rating by our SRI team is formalized in our database and on that basis allows for the existence of a rating and compliance with minimum rating criteria by the audit team. Similarly, La Financière de l'Echiquier's Head of Compliance and Internal Control has access to all data and documents presented in investment committee meetings.

Concerning financial instruments used, control tools make it possible to ensure continuous compliance with the defined constraints.

- b. Please list all public media and documents used to inform investors about the SRI approach.**

The complete inventory of the portfolios (subject to a six-month time lag) of Echiquier Major and Echiquier ISR are available at La Financière de l'Echiquier's website at the following address: <http://www.lfde.com/la-societe/investissement-responsable/> section "Our documents".

The list of fund information documents:

- Prospectus
- KIID
- Product sheets
- Specific SRI document
- Quarterly SRI reporting
- Quarterly commentary in the monthly newsletter

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