

Sustainable investment means an investment in an economic activity that contributes to an environmental or social objective, provided that it does not significantly harm any environmental or social objective and that the investee companies follow good governance practices.

The **EU Taxonomy** is a classification system laid down in Regulation (EU) 2020/852, establishing a list of **environmentally sustainable economic activities**. That Regulation does not lay down a list of socially sustainable economic activities. Sustainable investments with an environmental objective might be aligned with the Taxonomy or not.

Environmental and/or social characteristics

Does this financial product have a sustainable investment objective?

Yes

No

It will make a minimum of **sustainable investments with an environmental objective**: N/A

in economic activities that qualify as environmentally sustainable under the EU Taxonomy

in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy

it will make a minimum of **sustainable investments with a social objective**: N/A

It **promotes environmental and social (E/S) characteristics** and while it does not have as its objective sustainable investment, it will have a minimum proportion of 30.0% of sustainable investments

with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy

with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy

with a social objective

It promotes E/S characteristics, but will not make sustainable investments



What environmental and/or social characteristics are promoted by this financial product?

This fund primarily applies La Française Group's exclusionary policy which specifically targets controversial weapons, tobacco, electricity and energy sectors.

The fund applies ESG integration and selectivity criteria. The fund may only invest in countries or companies that have been assessed from an ESG perspective and whose ESG score is above the 20% selectivity exclusion threshold.

The selectivity threshold of 20% is established on the investment universe mentioned in the prospectus.

What sustainability indicators are used to measure the attainment of each of the environmental or social characteristics promoted by this financial product?

The sustainability indicators used to measure the attainment of each of the E or S characteristics promoted by the financial product are:

- the ESG score of companies
- the sovereign ESG score

What are the objectives of the sustainable investments that the financial product partially intends to make and how does the sustainable investment contribute to such objectives?

The fund aims to contribute to the general effort to improve sustainable practices, such as reducing CO2 emissions, increasing diversity and better governance practices. This is why it has a target of investing at least 30% of its assets in investments that qualify as sustainable.

Sustainability indicators measure how the environmental or social characteristics promoted by the financial product are attained.

Principal adverse impacts are the most significant negative impacts of investment decisions on sustainability factors relating to environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.

How do the sustainable investments that the financial product partially intends to make, not cause significant harm to any environmentally or social sustainable investment objective?

The fund offers a strategy that invests in subordinated bonds of financial or non-financial companies that have good ESG practices. The fund will aim to prioritise companies that are considered sustainable for society and the environment.

How have the indicators for adverse impacts on sustainability factors been taken into account?

To verify that sustainable investments do not cause significant harm to a sustainable investment objective at the E or S level, the management company applies:

- a relevant selection of the principal adverse impacts;
- La Française Group exclusion policy;
- the management of disputes, and the voting policy of the La Française Group.

The indicators for adverse impacts have been taken into account by the external data provider ISS. A monthly report is produced and sent to the managers who use this information to manage the fund.

How are the sustainable investments aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights? Detailed description:

We include the OECD and UN guiding principles in our fundamental ESG analysis, including our exclusions of major contentious issues relating to the UN Global Compact.

The EU Taxonomy sets out a "do no significant harm" principle by which Taxonomy-aligned investments should not significantly harm EU Taxonomy objectives and is accompanied by specific EU criteria.

The "do no significant harm" principle applies only to those investments underlying the financial product that take into account the EU criteria for environmentally sustainable economic activities. The investments underlying the remaining portion of this financial product do not take into account the EU criteria for environmentally sustainable economic activities.

Any other sustainable investment must also not significantly harm any environmental or social objectives.



Does this financial product consider principal adverse impacts on sustainability factors?

Yes, the principal adverse impacts on sustainability factors have been taken into account by the external ISS data provider. The management company takes into account the 14 negative sustainability impact indicators and 2 optional indicators as defined by Regulation (EU) 2019/2088. A monthly report is produced and sent to the managers who use the information to manage the fund. The information to be published pursuant to Article 11(2) of Regulation (EU) 2019/2088 is available at Our products - La Française Group (la-francaise.com).

No



What is the investment strategy of this financial product?

The initial investment universe covered is constructed from public and private issuers in the European Union, Switzerland, the United Kingdom and Norway which are analysed by "La Française Sustainable Investment Research" of "La Française Group UK Limited" specialising in responsible investment criteria. It is specified that there is a risk of conflicts of interest relating to the provision of ESG scores with the "La Française Sustainable Investment Research" research centre of the "La Française Group UK Limited" entity belonging to the La Française Group. In order to manage this situation, the management company has put in place and

updates a conflict of interest management policy with the aim of identifying and analysing potential conflict of interest situations as well as recording, managing and monitoring situations in which there is a conflict of interest. Furthermore, the provision of ESG scores is fully paid for by the management company, and the holders of the funds concerned by this service are informed through the prospectuses and annual reports.

The Environmental, Social and Governance criteria are analysed by the ESG Research Team, which has developed a proprietary ESG model and allows us to take a more selective approach to the investable universe and an ESG integration approach with a significant engagement in the management. This automated tool uses raw data from various data providers to calculate KPIs (Key Performance Indicators).

The ESG score of public and private issuers is structured as follows:

- Periodic update of raw data from different sources;
- Calculation of key performance indicators;
- When aggregated and supplemented with recent information collected and deemed relevant by the ESG research centre, they produce scores in three areas (environmental sustainability, human capital and organisational capital);
- Calculation of weightings for these three areas, which may differ by sector;
- Calculation of the ESG score, on the basis of the three areas and specific sector weightings.

For example, the criteria used to analyse private issuers are:

- Environmental: carbon intensity and waste management, etc.
- Social: staff training, labour relations, etc.
- Governance: management structure and relationship with shareholders, remuneration policy, etc.

To analyse public issuers:

- Environmental: the degree of exposure to natural disasters, etc.
- Social: the human development rate of the countries of the world through the human development index, etc.
- Governance: the quality of a country's governance through the World Governance Indicator (WGI), etc.

The ESG score of issuers is structured as follows:

- Annual update of raw data from different sources
- Calculation of aggregated key performance indicators which are used to calculate the scores for each of the three areas (environmental, social and governance)
- All three areas are equally weighted to determine an ESG score for the issuer.

At the end of this process, each private or public issuer is given a score from zero (worst) to ten (best). This score reflects investment opportunities or, conversely, non-financial risks.

The proportion of the portfolio made up by issuers analysed under these ESG criteria is greater than 90% of the securities in the portfolio (as a percentage of the Fund's net assets excluding bonds and other debt securities issued by public or quasi-public issuers, excluding cash assets held on an ancillary basis and excluding social impact assets). This first step of the non-financial analysis identifies issuers to be ruled out solely due to ESG criteria.

The following issuers are therefore automatically excluded under the La Française Group's exclusion policy:

- issuers involved in controversial weapons; and
- companies located in countries appearing on the black list and the red list of sensitive countries requiring approval, on a case-by-case basis, from the Compliance Department of the management company.

These lists, which are maintained and updated by the Compliance Department of the management company, are drawn up with regard to international sanctions and the implications for terrorism and corruption.

Next, the 20% of private issuers and 20% of public issuers with the lowest ESG scores in the initial investment universe are excluded. All of these excluded issuers make up the ESG exclusion list. This list is drawn up on a monthly basis and identifies a minimum ESG score threshold below which the Fund cannot invest. Issuers whose ESG score falls below the exclusion threshold cannot be part of the investable universe.

The methodology adopted by the management company for taking into account non-financial criteria may have the following limitation related to the analyses carried out by the research centre. These analyses are dependent on the quality of the information collected and the transparency of the issuers. In this way, the fund promotes certain environmental and social characteristics within the meaning of Article 8 of the EU Sustainable Finance Disclosure Regulation (EU) 2019/2088 (SFDR).

The investment strategy guides investment decisions based on factors such as investment objectives and risk tolerance.

What are the constraints defined in the investment strategy to select investments in order to attain each of the environmental or social characteristics promoted by this financial product?

The binding elements of the investment strategy used to select investments to attain the sustainable investment objective are:

- exclusions arising from the exclusion policy of the La Française Group;
- the 20% selectivity principle;
- the 10% investment restriction for assets outside the investment universe
- corporate sustainability analysis.

This strategy is monitored daily through 1st, 2nd and 3rd level controls.

What is the minimum proportion by which the financial product commits to reducing its investment scope before this investment strategy is implemented?

The committed minimum rate to reduce the scope of investments considered prior to the application of this investment strategy is 0%.

What is the policy implemented to assess good governance practices of the companies in which the financial product invests?

Good governance practices are assessed through our "G" pillar, in which the composition, independence and diversity of the board, risk management processes and controversies are analysed.

For sovereign states, good governance practices are assessed in six areas: the effectiveness of governance, control of corruption, the place and consideration of human rights, the rule of law, political stability and regulatory quality.



What is the asset allocation planned for this financial product?

Please refer to the answer to the question "What investment strategy does this financial product follow?"

Asset allocation

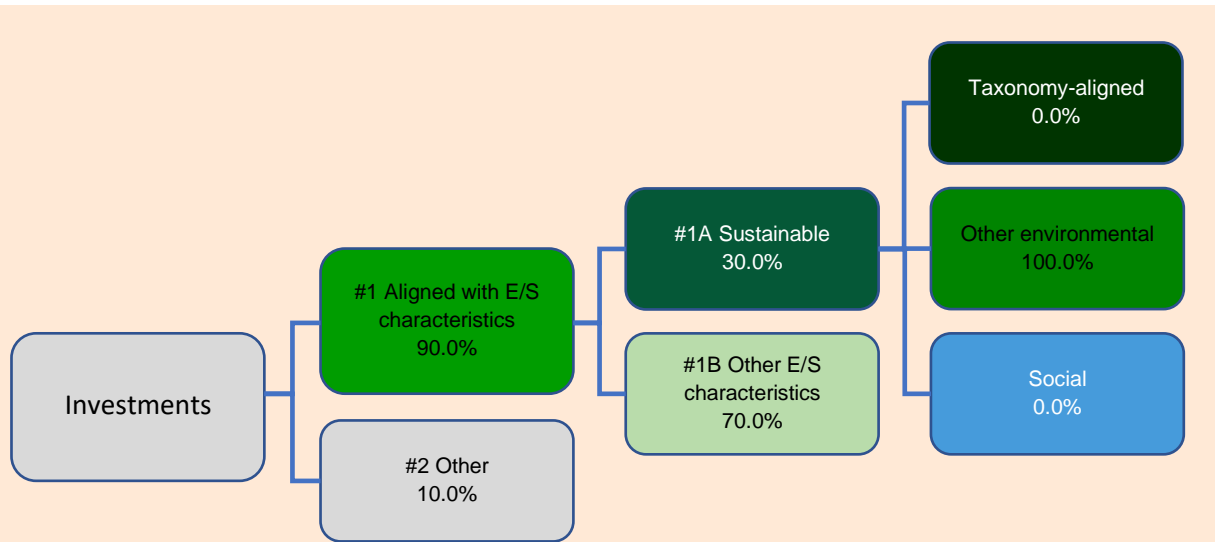
describes the share of investments in specific assets.

Taxonomy-aligned activities are expressed as a percentage:

- **turnover** reflecting the share of revenue from the green activities of companies in which the financial product invests;

- **capital expenditure** (CapEx) showing the green investments made by the companies in which the company invests, e.g. for a transition to a green economy;

- **operational expenditures** (OpEx) reflecting green operational activities of the companies in which the financial product invests.



#1 Aligned with E/S characteristics includes the investments of the financial product used to attain the environmental or social characteristics promoted by the financial product.

#2 Other includes the remaining investments in the financial product which are neither aligned with environmental or social characteristics nor are qualified as sustainable investments.

Category **#1 Aligned with E/S characteristics** includes:

- The sub-category **#1A Sustainable** covers sustainable investments with environmental or social objectives:
- The sub-category **#1B Other E/S characteristics** covers investments aligned with environmental or social characteristics that do not qualify as sustainable investments.

How does the use of derivatives attain the environmental or social characteristics promoted by the financial product?

Each derivative instrument corresponds to a specific hedging or exposure strategy that the fund management uses for a concrete objective.



To what minimum extent are sustainable investments with an environmental objective aligned with the EU Taxonomy?

The objective of the European Union Taxonomy is to identify economic activities considered to be sustainable from an environmental perspective. The taxonomy identifies these activities according to their contribution to six major environmental objectives: • Climate change mitigation; • Climate change adaptation; • The sustainable use and protection of water and marine resources; • Transition to a circular economy (waste, prevention and recycling); • Pollution prevention and control; • The protection and restoration of biodiversity and ecosystems. In order to be considered sustainable, an economic activity must demonstrate that it contributes substantially to the achievement of at least one of the six objectives, while not harming any of the other five (a principle known as DNSH, "Do No Significant Harm"). For an activity to be considered aligned with the European Taxonomy, it must also respect human and social rights guaranteed by international law. The minimum percentage of alignment with the EU Taxonomy is 0%. The alignment of companies' activities is carried out qualitatively in the internal analysis process based on data published by the companies themselves as well as that made available by our ESG data providers. The principle of "not causing significant harm" applies only to investments underlying the financial product which take into account the European Union's criteria for environmentally sustainable economic activities. The investments underlying the remaining portion of this financial product do not take into account the EU criteria for environmentally sustainable economic activities.

Does the financial product invest in fossil fuels and/or nuclear energy activities that comply with the EU Taxonomy?

Yes

In fossil fuels

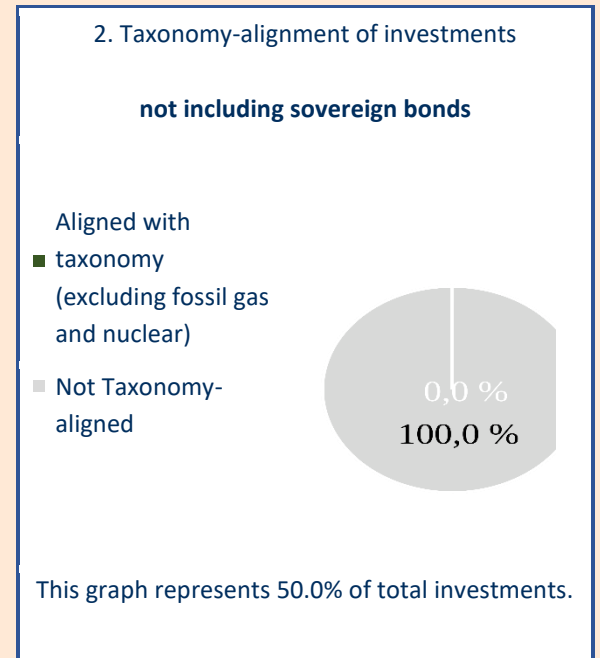
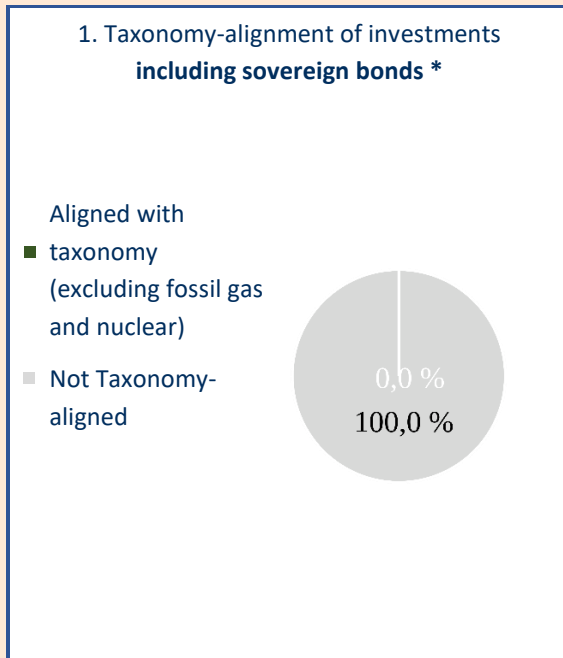
In nuclear energy

No

Enabling activities directly enable other activities to make a substantial contribution to an environmental objective.

Transitional activities are activities for which low-carbon alternatives are not yet available and among others have greenhouse gas emission levels corresponding to the best performance.

The two graphs below show in green the minimum percentage of investments aligned with the EU Taxonomy. As there is no appropriate methodology for determining the Taxonomy alignment of sovereign bonds*, the first graph shows the Taxonomy alignment with respect to all financial product investments, including sovereign bonds, while the second graph represents the Taxonomy alignment only with respect to financial product investments other than sovereign bonds.



* For the purpose of these graphs, "sovereign bonds" consist of all sovereign exposures

What is the minimum share of investments in transitional and enabling activities?

The minimum share of investment in transitional and enabling activities is 0%.



What is the minimum share of sustainable investments with an environmental objective that are not aligned with the EU Taxonomy?

The minimum share of sustainable investments with an environmental objective that are not aligned with Taxonomy is 0%.



What is the minimum share of socially sustainable investments?

The minimum share of socially sustainable investment is 0%.

The symbol represents sustainable investments with an environmental objective that **do not take into account the criteria** for environmentally sustainable economic activities under the EU Taxonomy.



What investments are included in the "#2 Other" category, what is their purpose and are there any applicable minimum environmental or social safeguards?

Other investments include cash which is used to preserve the fund's liquidity and adjust its exposure to market risk. Derivatives are also present in these other investments and are only used for hedging purposes or temporary exposure.



Is a specific index designated as a reference benchmark to determine whether this financial product is aligned with the environmental and/or social characteristics that it promotes?

Reference benchmarks are indexes to measure whether the financial product attains the environmental or social characteristics that they promote.

How is the benchmark continuously aligned with each of the environmental or social characteristics promoted by the financial product?

N/A

How is the alignment of the investment strategy with the methodology of the index ensured on a continuous basis?

N/A

How does the designated index differ from a relevant broad market index?

N/A

Where can the methodology used for the calculation of the designated index be found?

N/A



Where can I find more product-specific information online?

Legal documents are available on request and free of charge from the management company or on the website: www.la-francaise.com. You can get them free of charge on request from serviceclient@la-francaise.com. Any further information is available from the Customer Service Nominative Products Department using the following contact details: serviceclient@la-francaise.com.