

CLIMATE POLICY 2025 LBP AM GROUP

POLICY

2025

CHAPTER I	
CONTEXT AND OBJECTIVES	3
1. Climate: A Key Issue	4
2. A Strategy to Achieve Carbon Neutrality & Reduce LBP AM Group's Exposure to Highly Carbon-Intensive Assets	5
3. Evolution of the Regulatory and Normative Framework	6
CHAPTER II	
GOVERNANCE	7
1. Validation	8
2. Deployment	8
CHAPTER III	
ENGAGEMENT AND VOTING POLICY	9
1. Engagement	10
2. Voting Policy	12
CHAPTER IV	
SECTORAL EXCLUSION POLICIES	14
1. Coal	15
2. Oil & Gas	15
CHAPTER V	
INTEGRATION POLICY IN INVESTMENT STRATEGIES	16
1. The LBP AM Group Transition Plan	17
2. Other elements of cross-functional integration of the climate performance of portfolios	19
3. LBP AM Investments in Companies Providing Energy Transition Solutions	20
CHAPTER VI	
CLIMATE RISK ASSESSMENT: TRANSITION & PHYSICAL	21
CHAPTER VII	
ADVOCACY ACTIONS	22
CHAPTER VIII	
INTERNAL MOBILIZATION	23

CONTEXT AND OBJECTIVES

1. Climate: A Key Issue¹

Climate change is a major issue and a systemic risk for all actors in society.

The investment activities of the LBP AM group (LBP AM and its subsidiary La Financière De l'Echiquier - LFDE) are concerned with climate issues in two ways:

- ▶ Asset management activities can have an impact on the climate, for example by offering investment products that directly contribute to financing activities mitigating climate change, investment products oriented towards companies with robust transition plans and resilient to climate risks, engaging companies to adopt such strategies, and deciding whether or not to finance new assets incompatible with an energy transition necessary to mitigate climate change.
- ▶ Climate change affects people, ecosystems, and economic life, impacting our portfolios, for example through increased risks of natural disasters affecting companies and assets, new regulations and consumer needs requiring them to reduce their greenhouse gas emissions, etc.

The climate policy of the LBP AM group defines the modalities for integrating the climate issue into its asset management, in order to both participate in the energy and ecological transition necessary to combat climate change and manage the financial risks arising from it.

In line with our membership in the large public financial group, our ambition in this area is **to make our investments compatible with carbon-neutral development by 2050 and resilient to climate change**.

To this end, the policy relies on 5 levers on which LBP AM is committed to act:

- **Engage and support** invested companies in their energy transition and adaptation to the effects of climate change, through our engagement policy and our integration policy in investment selection;
- **Reduce** our exposure to highly carbon-intensive assets not engaged in the transition and not implementing mitigation measures supported by a credible action plan, through our exclusion policy;
- **Optimize** investments in companies and projects that provide solutions for the energy transition (systematically integrating an evaluation of their performance in terms of mitigation, adaptation, risk management, and climate governance in our security selection analysis process), through dedicated offers within our integration policy in investment selection;
- **Strengthen** les investissements dans les entreprises et projets qui apportent des solutions en faveur de la transition énergétique (en intégrant systématiquement une évaluation de leur performance en termes d'atténuation, d'adaptation, de gestion des risques et de gouvernance climatique dans notre processus d'analyse de sélection de titres), via des offres dédiées au sein de notre politique d'intégration dans la sélection des investissements;
- **Encourage**, at our level, the development of a political and regulatory framework favorable to the transition, in line with international, European, and national objectives for mitigating climate change and adapting to it, through our advocacy policy. LBPAM supports regulatory initiatives aimed at strengthening the action of companies, including financial ones, in the fight against climate change.

If an asset management company can proactively orient its investment strategy towards integrating climate issues, a clear, ambitious, and predictable regulatory framework is indeed a prerequisite for an organized and effective transition of the real economy, and conditions the ability of investors to support it on a large scale.

1. https://www.lbpam.com/publication/ComplianceDoc/responsible_investment_report_2023.pdf

2.

A Strategy to Achieve Carbon Neutrality & Reduce LBP AM Group's Exposure to Highly Carbon-Intensive Assets

In line with our ambition, the LBP AM group joined the Net Zero Asset Manager Initiative (NZAMi) in 2021 to align its asset management with a trajectory of managing greenhouse gas emissions associated with the Paris Agreement's goal of «continuing efforts to limit the temperature increase to 1.5°C above pre-industrial levels.»

In this context, it defined and published in 2022 an ambitious decarbonization trajectory for the investment portfolios it manages through its two management companies, LBP AM and Tocqueville Finance, including open and dedicated funds across all asset classes, to achieve carbon neutrality by 2050.

This trajectory was extended to the new boundaries of the group following the acquisition of La Financière de l'Echiquier in 2023, also a member of the NZAMi.

It currently relies on the following milestones:



The measurement and definition of this objective are based, as far as possible, on the voluntary framework of methodologies established by the Science Based Target Initiative for Financial Institutions.

The scope of application of these methodologies is not exhaustive and does not currently cover investments in sovereign debt and similar instruments and the financing of certain infrastructure projects, which are therefore not part of the currently measurable scope for calculating the achievement of the LBP AM group's aggregated objective.

The LBP AM group may, in this context, be led to review the expression of its target based on the evolution of the group's scope, particularly to facilitate the articulation of the objectives of its subsidiaries.

The methodology currently adopted by the LBP AM group to define and assess the overall alignment of its invested assets in listed equities and corporate bonds is the methodology proposed by the SBT initiative called "portfolio coverage," which consists of counting as aligned investments in companies that have themselves established science-based decarbonization targets.

This overall alignment trajectory of the LBP AM group's assets is complemented by the sub-objective, independently established within the framework of its sectoral policy and in support of the aforementioned overall objective, of achieving 100% of total assets under management with a greenhouse gas emissions trajectory compatible with the Paris Agreement's objectives in the oil and gas sector by 2030. The sectors involved in the energy supply are indeed particularly critical to the transition of the real economy, which also and simultaneously involves a major evolution of energy demand.

The strategic steering of the achievement of these objectives is carried out by a “Transition Plan”, a forward-looking strategic document describing investment decarbonization objectives and associated action plans, for all business lines and support functions. The LBP AM Group’s climate policy and transition plan are closely linked in terms of decarbonization, but do not entirely overlap: the climate policy describes the measures applicable to date, on all climate-related dimensions, while the transition plan defines medium-term decarbonization objectives and the methods for achieving them.

3. Evolution of the Regulatory and Normative Framework

The LBP AM group’s climate policy is integrated into a European and national regulatory framework that frames and/or underpins our practices, including:

- ▶ **In terms of reporting:** Article 29 of the French Energy-Climate Law requires the publication of detailed information on the consideration of climate issues in our investments. The European SFDR (Sustainable Finance Disclosure Regulation) includes reporting obligations on how sustainability risks are taken into account in our investment processes. The European taxonomy of sustainable activities, providing a homogeneous framework at the European level to identify activities considered sustainable, is a reference from which we measure and publish the share of our investments aligned with this classification. The CSRD (Corporate Sustainability Reporting Directive) also defines requirements for publishing the LBP AM group’s transition plan, to which the LBP AM group contributes.
- ▶ **In terms of constructing and marketing investment products,** the new ESMA directives, expected to come into force at the end of the first half of 2025, aim to regulate the use of ESG and sustainable terms in fund names to homogenize market practices, improve transparency, and avoid greenwashing risks. The new version (V3) of the French SRI Label strengthens transparency and selectivity requirements for labeled funds, particularly in terms of transition from 2026. The European taxonomy is also a reference for constructing products dedicated to sustainable assets. The state Greenfin label is gradually aligning and converging towards this taxonomy.

Internationally, voluntary initiatives are being structured to encourage companies and financial institutions to establish policies and objectives to fight climate change:

- **The “Net-Zero” alliances:** under the aegis of the Glasgow Financial Alliance for Net-Zero (GFANZ), a global coalition of financial institutions committed to mobilizing capital to decarbonize the economy, several coalitions have been formed in recent years, including the Net-Zero Asset Owner and Net-Zero Banking alliances, as well as the Net-Zero Asset Manager initiative, which directly concerns the LBP AM group.
- **The Science Based Targets initiative (SBTi):** an organization that enables companies and financial institutions worldwide to contribute to the fight against the climate crisis. Thus, SBTi develops standards, tools, and guides that allow companies to set greenhouse gas (GHG) emission reduction targets consistent with what is necessary to achieve carbon neutrality by 2050.
- **La Taskforce for Climate-Related Financial Disclosure (TCFD)** develops a voluntary reporting framework dedicated to climate issues. Indeed, the TCFD makes recommendations on climate-related information that companies should share to help investors make informed financial decisions. The LBP AM group is committed to communicating and reporting climate risks in line with TCFD standards.

GOVERNANCE

1. Validation

The policy is validated by the LBP AM group's Sustainable Finance Committee, composed of members of the Management Board, heads of portfolio management and analysis teams, commercial teams, and the risk management department. It is regularly reviewed and updated by the SRI Solutions team in collaboration with the LFDE research team and in consultation with the teams involved in its deployment: portfolio management, risks, fundamental analysis.

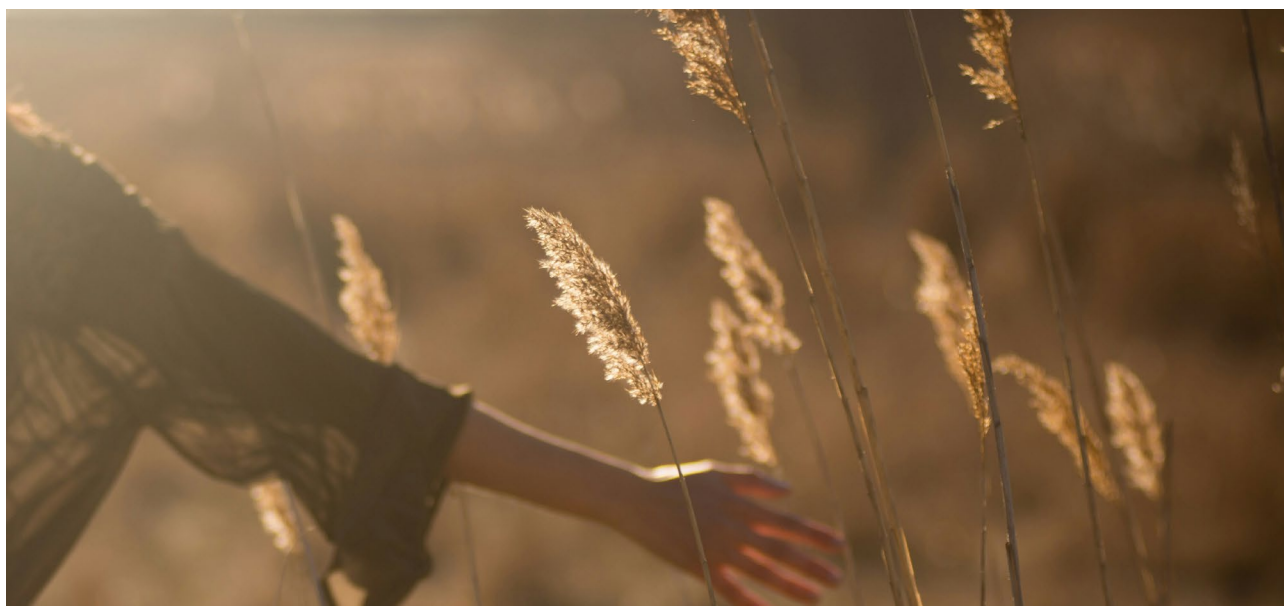
2. Deployment

The day-to-day responsibility for integrating climate change into our operations lies with all LBP AM Group employees, and more specifically with the teams of portfolio managers, analysts and SRI analysts, as well as the SRI Solutions team, as far as the application of asset management measures is concerned.

The implementation of the Climate Policy relies on several committees:

- The Sustainable Finance Committee, which ensures regular holistic monitoring of the decarbonization trajectory of assets under management and strategic and market monitoring related to the transition;
- The GREaT Committee, which oversees the transversal deployment of engagement and exclusion policies. It validates exclusion lists and monitors the execution of engagement campaigns resulting from this policy;
- The ESG Committee, which meets weekly with all management members to:
 - Circulate a watch on trends, risks and major climate-related issues
 - Determine the prioritization and organization of enhanced due diligence or engagements in application of the Climate Policy.
- The Range Management Committee, dedicated to deliberating on the evolution of the group's product offerings, including the integration of climate characteristics.

Regular awareness-raising is offered to the Group's employees as part of asset management activities or CSR actions.



ENGAGEMENT AND VOTING POLICY

—

1. Engagement

The LBP AM group, in line with the Paris Agreement on climate, aims to make its investments compatible with low-carbon development and resilient to climate change (Article 2.1). Shareholder engagement with companies is an important lever for achieving this objective, as the **LBP AM group aims to contribute to evolving the ecological planning practices of these companies to contribute to the transformation of the real economy.**

This climate policy is therefore part of the overall framework defined by the group's engagement² policy, which describes the modalities for identifying companies to engage, the usual modalities for conducting these engagements, the escalation strategy in the absence of results, as well as the priority ESG engagement themes, including climate. This policy is articulated around our thematic ESG policies, such as this policy and its specific declinations related to fossil fuels³ (coal, oil and gas), which describe in more detail our objectives, principles, modalities of action, priorities, and expectations on various themes.

The LBP AM group encourages companies to define energy transition and ecological strategies to limit their negative impacts on climate and biodiversity. It particularly calls on companies to:

I. Formalize robust transition plans, allowing for the deployment of a transparent and credible transition strategy to align their activities and practices over time with a scenario that limits warming to 1.5°C.

It expects these strategies to be accompanied by short, medium, and long-term absolute greenhouse gas emission reduction targets for scopes 1, 2, and the most significant categories of scope 3. To contribute to the global carbon neutrality objective by 2050 in line with the Paris Agreement's objectives, the LBP AM group encourages companies to adopt trajectories compatible with the 1.5°C scenario of the Paris Agreement, covering a significant scope of their activities, aiming for carbon neutrality by 2050. It particularly encourages companies to:

- Base their strategy on climate or sectoral scenarios;
- Have their reduction targets validated by third-party evaluation methodologies such as the Science Based Target Initiative.

This strategy should apply the «Avoid, Reduce, and Compensate» sequence and be articulated and coherent with the company's overall strategy, including its investment policy.

These expectations, applicable to all sectors, are deployed with particular attention and prioritization on so-called «high-stakes» sectors. They are thus articulated and declined in ESG sectoral policies:

- Regarding **thermal coal**⁴, the LBP AM group has implemented a specific engagement strategy for issuers whose activity/exposure exceeds certain quantitative thresholds defined in the policy (see below - exclusion), but who have exit plans from coal. It is based on a qualitative analysis of the quality and credibility of these plans to determine the applicable treatment:
 - **Favorable opinion:** If the plan is deemed credible, the company is exempt from exclusion for the current year and is subject to annual monitoring to ensure the proper execution of the strategy.
 - **Neutral opinion:** If the plan does not allow for a factual assessment of its credibility, the company is subject to engagement to clarify it and decide by 31/12 of the current year on the exemption or exclusion.
 - **Unfavorable opinion:** If the plan highlights poor practices or if engagement has not allowed for a factual assessment within the allotted time, the company is excluded.

2. https://www.lbpam.com/publication/ComplianceDoc/Engagement_policy_2024.pdf

3. https://www.lbpam.com/publication/ComplianceDoc/LBP_AM_Exclusion_policy_February_2025.pdf

https://www.lbpam.com/publication/ComplianceDoc/Oil_and_gas_policy_LBP_AM_LFDE_dec24_en.pdf

4. https://www.lbpam.com/publication/ComplianceDoc/LBP_AM_Exclusion_policy_February_2025.pdf

- Regarding companies and project companies operating (exploration, exploitation, processing, transportation, refining, or associated products or services, directly or as a partner or shareholder) in the **oil and gas**⁵ sector, the LBP AM group has implemented a challenging shareholder engagement strategy to support them in their energy transition, asking them to adopt and publish a clear, credible, and aligned energy transition strategy with climate and energy scenarios that limit warming to 1.5°C, using primarily permanent, quickly available, and least costly means:
 - This strategy should notably adapt investment management to the issue of concentrating investments in existing fields. The objective is to avoid locking in regional economies and companies invested in fossil fuels, and if necessary, depending on the cost of asset operation and positioning in the value chain, to avoid increasing the risk of stranded assets or declining commercial activities.
 - It should also allow for managing physical risks from climate change and consider just transition issues.
- Regarding **real estate**, the LBP AM group is gradually engaging its investments in listed real estate companies on their 1.5°C alignment trajectory so that 100% of French real estate holdings in the portfolio are engaged on their 1.5°C alignment policy by 2026.

II. Evaluate, reduce - through adaptation measures and increased resilience to climate change - and report its exposure to physical and transition climate risks, notably by applying the TCFD reporting framework.

The LBP AM group particularly encourages companies to:

- Identify and prioritize future⁶ risks, based on at least one pessimistic climate scenario (SSP5/RCP 8.5 of the IPCC), on its supply chain, sites, as well as on products and services. The LBP AM group also recommends that companies publish:
 - The material impacts and financial losses associated with climate events;
 - The location data of its assets as well as those of its main suppliers, or the geographical origin of its supplies by function and contribution to the company's model (to turnover).
- Implement an adaptation plan, in the short, medium, and long term, following, for example, the «flexible adaptation pathway⁷» method of ADEME⁸.

The LBP AM group also recommends that companies be vigilant:

- To so-called “maladaptation” measures, which increase the risk of negative climate change effects and vulnerability or reduce social well-being;
- To the articulation of the plan with local, regional, national, and international plans and efforts;
- To promote Nature-based adaptation solutions (NbS);
- To apply the DNSH principle regarding other sustainability objectives such as climate change mitigation, biodiversity protection, health, etc.

5. https://www.lbpam.com/publication/ComplianceDoc/Oil_and_gas_policy_LBP_AM_LFDE_dec24_en.pdf

6. This analysis can be carried out via :

- Area-based studies to identify the assets most at risk from climatic events (coastal and mountain assets, etc.);
- Sectoral studies, analyzing notably the vulnerability of supply chains;
- Studies on the intrinsic characteristics of assets to determine the level of vulnerability of the most strategic assets to their activity.

7. https://actinitiative.org/wp-content/uploads/pdf/act-adaptation-methodology_final-for-roadtest_june2022.pdf

8. ADEME's “flexible adaptation pathway” recommends :

- Define long-term adaptation objectives;
- Identify lists of adaptation actions of different natures and levels of ambition;
- Select adaptation measures in order to combine and order actions in several trajectories corresponding to different possible paths to reach the set adaptation objective;
- Determine thresholds beyond which the next adaptation action in the trajectory or in another trajectory must be activated.

c) Implement governance to manage the action plan

- The material impacts and financial losses associated with climate events;
- The location data of its assets as well as those of its main suppliers, or the geographical origin of its supplies by function and contribution to the company's model (to turnover).

To prioritize the companies to engage with, the LBP AM group relies on the tool developed by the risk management department, which identifies the portfolios and invested companies most at risk from climate change based on a specific risk (e.g., physical or transition). A qualitative analysis of the adaptation processes implemented by the companies thus identified, as well as a dialogue with the issuer to complete this analysis, may be conducted before defining an engagement action.

In practice, the LBP AM group expresses its climate-related expectations through regular and coherent bilateral or collaborative dialogue with invested companies. In this regard, the LBP AM group is notably a member of the CDP and CA100+ initiatives. This dialogue is also articulated with our voting policy.

2. Voting Policy⁹

Transition Strategy:

The LBP AM group supports the introduction of a regular consultative shareholder vote on this transition strategy (so-called "Say on Climate" vote), as well as on a report detailing the implementation of this strategy. It particularly encourages listed companies with high greenhouse gas emissions and a significant impact on biodiversity to submit such resolutions to shareholder votes.

If applicable, these resolutions are analyzed on a case-by-case basis by the LBP AM group. This analysis takes into account the level of ambition of the plan and its transparency, particularly with regard to best sectoral practices or comparable high-stakes companies.

It assesses, in particular, the precise, transparent, and as much as possible based on market references (climate or sectoral scenarios, third-party evaluation methodologies of strategies).

Remuneration Policy:

The LBP AM group recommends the inclusion of objectives related to the company's environmental strategy in the variable remuneration of executives.

Environmental and Social Responsibility of Board Members:

The LBP AM group reserves the right to vote against a director if the company's environmental ambitions are not deemed sufficiently aligned with the LBP AM group's climate and biodiversity policies. The LBP AM group also reserves the right to reject the appointment of one or more board members if their responsibility in ESG controversies is identified. In such cases, the reason for opposition is specified to the companies.

Auditors:

For companies significantly exposed to climate risks (e.g., companies identified by Climate Action 100+), the LBP AM group reserves the right to vote against the renewal of the auditor's mandate if the way climate risks and the company's decarbonization trajectory in a 1.5°C scenario are assessed in the financial statements is not deemed sufficiently detailed.

9. <https://www.lbpam.com/publication/ComplianceDoc/LBPAM-Voting-policy-2025-EN.pdf>

To apply these voting principles, the LBP AM group:

- May support shareholder resolutions and may participate in filing resolutions addressing all or part of these climate objectives;
- May oppose certain resolutions submitted by management in case of significant environmental controversies;
- Supports the introduction of a regular AGM vote on the holistic environmental strategy of companies.



SECTORAL EXCLUSION POLICIES

As part of its sectoral policies, which aim notably to limit the exposure of all its entities to companies with the most serious and irremediable impacts on the climate, the LBP AM Group has defined thresholds for the exclusion of investments in issuers that have not committed to the energy transition, or exploit resources that are the most damaging to the environment.

1. Coal

Climate Analytics (cf. page 77 SRI report 2023)¹⁰ indicates that electricity producers and mining groups must eliminate thermal coal from their activities by 2030 in OECD countries, and by 2040 in other countries. Furthermore, achieving the goals of the Paris Climate Agreement implies stopping the development of new thermal power plants without CCS and gradually closing existing¹¹ plants.

Based on this, the **thermal coal** exclusion policy aims for a total end to investments in mining or electricity production companies that have not committed to eliminating thermal coal from their operations by 2030 (for companies headquartered in an OECD country) and by 2040 (rest of the world).

Issuers currently engaged in thermal coal development projects or expansion of existing projects are systematically excluded.

Other exclusion criteria, based on activity thresholds, are established according to the type of companies and are waivable if the company has implemented a credible exit plan. **Exclusion policy LBP AM**

2. Oil & Gas

The LBP AM group's sectoral **Oil & Gas** policy on investments in companies and project companies operating (exploration, exploitation, processing, transportation, refining, distribution activities, directly or as a partner or shareholder) in the oil and gas sector, defines the principles applicable by LBP AM and LFDE to align their sectoral allocation in the oil and gas sector by 2030 with the objective of carbon neutrality by 2050, by:

- Promoting and supporting the orderly and just energy transition of the real economy, necessary to achieve the goals of the Paris Agreement,
- Contributing to the management of climate financial risks – transition risks, legal risks, and physical risks – for their own portfolios.

The “oil and gas” policy excludes companies whose 20% or more of revenue comes from unconventional¹² energies. Companies that do not have the capacity to carry out their energy transition by 2030, as they currently do not have a carbon neutrality goal for scope 1 and 2 emissions or a GHG reduction goal for scope 3 emissions, are also excluded.

Oil & Gas policy

10. https://www.lbpam.com/publication/ComplianceDoc/responsible_investment_report_2023.pdf

11. <https://www.iea.org/reports/phasing-out-unabated-coal-current-status-and-three-case-studies/executive-summary>

12. Unconventional fossil fuels: according to the broad definition of these resources proposed by the Scientific Committee of the Observatoire de la Finance Durable (shale oil and gas, oil sands, extra-heavy oil, resources located in the Arctic according to the Arctic Monitoring and Assessment Program, oil and gas from very deep offshore resources), which is broader than the definition usually used by the industry.

INTEGRATION POLICY IN INVESTMENT STRATEGIES

1.

The LBP AM Group Transition Plan

Purpose and Management

In 2025, the LBP AM group adopted a transition plan **to operationalize and achieve its goal of decarbonizing investment portfolios.**

It defines the decarbonization projects to be implemented until 2030, in alignment with the group's other strategic objectives, and the associated monitoring indicators.

The deployment of this plan is integrated into the group's strategic management through its integration into its three key mechanisms: the strategic management of the LBP AM group, the management of its commercial offer, and the strategic management of the LBP group and more broadly the large public financial hub.

The monitoring of the decarbonization trajectory is also integrated into the LBP AM group's risk monitoring system.

Strategy

The transition plan primarily relies on the ambitious integration of climate objectives into its product range. As such, the management of the integration of the transition into its commercial offer is one of the main levers for achieving its plan. This is notably achieved through:

- The integration of the decarbonization goal into the SRI segmentation of the LBP AM group's fund range, in alignment with the applicable European and national regulations on responsible investment;
- And in its operational management process of its product range, through dedicated projection tools and an adjustment of the product committee effective from 2025.

The LBP AM group prioritizes two modalities for integrating these transition objectives into the management of the group's funds: ENGAGE emitting companies in the portfolio to establish credible objectives and a transition plan; SELECT companies on a transition trajectory. These levers are complemented, where relevant, by potential exclusions.

Deployment

These levers rely on several types of research tools on asset transition. This research is formally integrated into the investment selection mechanism through technical modalities, which may vary depending on the type of funds, and will be specified in their contractual and commercial provisions as the LBP AM group's fund range evolves, starting January 1, 2025, for a first wave of listed funds.

The LBP AM group seeks to actively participate in the development and deployment of market standards in transition finance, to contribute to the development of robust, coherent, and widely deployable standards.

The methodology currently adopted by the LBP AM group to define and assess the overall alignment of its invested assets in listed equities and corporate bonds is the methodology proposed by the SBT initiative called "portfolio coverage,"¹³ which consists of accounting as aligned investments in companies that have themselves established science-based decarbonization goals.

13. <https://sciencebasedtargets.org/resources/files/Financial-Sector-Near-Term-SBT-Explanatory-Document.pdf>

According to the SBTi, “science-based targets show organizations how much and how quickly they must reduce their GHG emissions to prevent the worst effects of climate change.” This choice is based on the robustness of the target validation process by an external third party represented by the SBTi, its consistency with the most recent climate science, and the concern to apply the commitment made by the Group by joining the NZAMi to “prioritize the achievement of real economy emissions reductions in the sectors and companies in which we invest.”

The monitoring of the level of alignment is carried out by each portfolio manager on the SRI management platform, GREaT 360.

An aggregated assessment is also carried out on a regular basis, notably for the attention of LBP AM's governance bodies and shareholders.

Regarding data and IT, the LBP AM group continues to invest significantly in the development of its databases and the enrichment of its ESG management platforms (notably GREaT 360 – SRI selection management platform, Phoenix – issuer monitoring platform).

The plan is also integrated into the HR/CSR policy, in order to support its deployment through: integration into the Group's training policy, integration of extra-financial objectives into the Group's remuneration policy, deployment of awareness policies and measures for employees aimed at reducing the climate and biodiversity footprint of the operations of LBP AM group's asset management companies, deployment of regular employee communication to ensure knowledge and understanding of the key issues of the transition plan.

The achievement of the LBP AM group's 2030 alignment target for its assets under management strongly depends on the appetite and prioritization of its clients – institutional, distributors, and individuals – for financial products integrating a significant level of ambition and selectivity in terms of transition. As such, it includes several awareness-raising actions on transition finance and, where appropriate, support for its clients and prospects in implementing their own transition finance ambitions.

The LBP AM group's transition plan, and particularly its quantitative objective of aligning the group's assets under management by 2030, also relies on assumptions of accelerated transition of real economy companies that make up the investment universe of its funds. To contribute to this transition, the LBP AM group has defined a challenging engagement policy regarding the development and approval of transition plans. **Transition plan LBP AM**



2.

Other elements of cross-functional integration of the climate performance of portfolios

► Via the GREaT rating

Two data points related to climate issues are integrated into the evaluation and selection of investments*: i) the rating of the Energy and Economic Transition (E) pillar of its proprietary ESG evaluation and scoring methodology, GREaT, and ii) the measurement of GHG emissions of portfolio securities.

The E pillar of the GREaT methodology reflects the relative quality of each issuer's climate strategy compared to its peers. The rating of this pillar directly feeds into the holistic GREaT rating of an issuer, which is used for the SRI labeling of its portfolios. Several criteria are evaluated to construct this rating: contribution to the energy transition; offering of products and services related to the energy transition; GHG emissions; contribution to the economic transition.

► Via the measurement of the carbon footprint of investments

The carbon footprint of investments, expressed in carbon intensity, corresponds to the GHG emissions of companies, expressed in tons of CO₂ equivalent, relative to the amounts invested. It is available on the investment monitoring tools for portfolio management teams and communicated annually in the reporting of each SRI-labeled fund. The scope of application covers all our eligible and covered assets under management – listed and unlisted assets are concerned.

► Via the Climate and Biodiversity Maturity score

The Climate and Biodiversity Maturity score is a proprietary qualitative analysis tool from LFDE that measures the maturity of a company in addressing climate change and/or biodiversity issues. This absolute score, expressed as a percentage of progress in integrating these issues, is based on four pillars: Climate Governance, Climate Engagement, Biodiversity Engagement, and Just Transition. Mainly used for the Echiquier Climate and Biodiversity Impact Europe fund, this tool is also used for the qualitative analysis of the largest GHG emitters in LFDE portfolios.

More information on the methodology: <https://cdn.lfde.com/upload/partner/rapport-impact-ecbie.pdf>

► Via the selection policy included in the oil and gas policy

As part of the oil and gas policy, in addition to engagement and exclusion policies, the LBP AM group strengthens its selection policy through:

- Integration of qualitative analysis: GHG reduction targets, transparency of the transition plan, climate impact of levers (dependence of the strategy on carbon offsetting, ending of development of new fossil production capacities, and the share and evolution of investments in low-carbon resources), governance of the transition plan, as well as consistency and feasibility.
- Introduction of a graduation of selectivity based on products:
 - SRI products: Integration of specific provisions related to national SRI labels (broad exclusions)
 - Open credit funds: exclusion from 2025 of conventional debt of companies developing 'new capacities'
 - Due diligence on fossil policies of asset management companies for fund selection and use in SRI Fund of Funds.

* The GREaT evaluation is carried out on at least 75% of portfolio issuers. The consideration of this evaluation in asset selection is not systematic and is carried out according to the modalities defined in the documentation of each fund.

3.

LBP AM Investments in Companies Providing Energy Transition Solutions

The LBP AM group invests in companies and projects providing solutions for the energy transition through their product and service offerings. These investments are supported in three ways, via:

- a) Financing/allocation objectives:** The progression of the alignment of assets under management with a sustainable taxonomy in the Group's overall management is a long-term issue of its climate strategy because the energy transition is driven by these companies that provide solutions for renewable energy, green buildings and energy efficiency, waste recovery and circular economy, sustainable mobility, organic and sustainable agriculture, smart grids and low-carbon information technologies. This effort is materialized by the creation of dedicated thematic funds, both listed and unlisted.
- b) Dedicated investment strategies:** The LBP AM group manages four multi-investor funds whose investment strategy is centered on the energy and ecological transition: LBP AM ISR Actions Environnement, LBP AM ISR Global Climate Change, LBP AM Infrastructure Debt Climate Impact Fund, Echiquier climate and biodiversity impact Europe.
- c) Taxonomy Reporting:** To promote sustainable investments, the Taxonomy Regulation (Regulation (EU) 2020/852) establishes a common classification system for the European Union to identify economic activities considered sustainable. An economic activity is considered "eligible," meaning it is likely to make a substantial contribution to each European environmental objective, if it is included in the evolving list of activities in the delegated acts of this regulation. An eligible economic activity does not necessarily meet the technical criteria to be considered aligned with the European taxonomy. The LBPAM group is committed to producing a report in line with this classification.

CLIMATE RISK ASSESSMENT: TRANSITION & PHYSICAL

Climate risk is considered by Central Bankers as a systemic risk that can influence the stability of the financial system globally. Some central banks (e.g., European Central Bank, Bank of France) have launched programs to develop and improve approaches to climate risk assessment. The methodologies for assessing the effects of climate change and energy transition are still recent but allow for appreciating the main exposures of portfolios to **physical risks**, i.e., the negative effects of climate change, and **transition risks**, i.e., political measures and changing consumer preferences to fight against global warming.

In terms of climate risk management, the LBP AM group commits to assessing the level of exposure of its investments:

- To transition risks, through the analysis of various factors to model their impacts on investments. This includes the holding of carbon assets (fossil fuel reserves), the use of renewable energies in operations, the contribution to the energy transition, or the GHG emissions of invested companies.
- To physical risks, based on acute or chronic climate hazards. Acute hazards are rare and intense climate events such as marine submersions, river floods, cyclones, or forest fires. Chronic hazards correspond to recurring climate events with a relatively moderate impact compared to acute hazards. These include episodes of extreme heat, cold, wind, precipitation, or snowfall.

The group also conducts climate stress tests to assess the resilience of investments to climate risks based on different simulated scenarios.

ADVOCACY ACTIONS

The LBP AM group supports regulatory initiatives aimed at strengthening the action of companies, including financial ones, in favor of the climate.

LBP AM regularly dialogues with public authorities, financial regulators, or professional organizations, notably by responding to consultations before the publication of new regulations, participating in working groups, and advocacy activities.

In this regard, the Group conducts advocacy actions aimed at:

- Encouraging governments to adopt policies that favor the transition and its financing
- Encouraging financial regulators to develop an incentive and clear framework
- Supporting transition finance through market initiatives, for example concerning the development and standardization of methodologies for evaluating transition plans or climate reporting
- Promoting the integration of climate issues into the governance bodies of companies
- Generalizing and strengthening the regulation of Say-on-Climate
- Improving access to climate data

INTERNAL MOBILIZATION



Taking climate issues into account is a central element of our CSR¹⁴ policy. In support of and beyond the established objectives concerning the integration of climate into its management activities, the CSR policy formalizes:

- Awareness and training actions to develop skills to enhance understanding, adherence, and action of employees in favor of the climate. These aim to raise awareness of the interactions between climate and biodiversity, the materiality of the topic, and investment strategies and internal tools. The group's CSR roadmap aims for 100% of employees to undergo training on climate and/or biodiversity at least once a year.
- Evaluation and reduction actions of the «corporate» operating emissions of the LBP AM group.

14. <https://www.lbpam.com/publication/private/FdR-RSE.pdf>



<https://www.lbpam.com>

<https://www.lfde.fr>

LBP AM

Société Anonyme à directoire et conseil de surveillance au capital de 6 096 204,80 euros
Siège social : 36, quai Henri IV 75004 Paris
Immatriculée sous le n° 879 553 857 RCS Paris
Agréée en tant que société de gestion de portefeuille par l'AMF sous le n° GP-20000031
code APE 6630Z | N° TVA Intracommunautaire : FR 71 879 553 857

LFDE

La Financière de l'Échiquier
53, avenue d'Iéna - 75116 Paris - Tél. : 01 47 23 90 90
S.A. au capital de 10 047 500€ - Siren 352 045 454 - R.C.S. Paris - APE 671C
N° Intracommunautaire FR 83 352 045 454 - Agrément A.M.F. n° GP 91004