

Product name: LBPAM ABSOLUTE RETURN CONVERTIBLES SRI ("Financial Product")

Legal entity identifier: 969500P0YZW5IQZIPZ84

LBP AM (« Management Company »)

Environmental and/or social characteristics

Sustainable investment means an investment in an economic activity that contributes to an environmental or social objective, provided that the investment 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.

Does this financial product have a sustainable investment objective?



Yes



No



It will make a minimum of **sustainable investments with an environmental objective:** ____%



in economic activities that qualify as environmentally sustainable under the EU Taxonomy¹



in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy²



It will make a minimum of **sustainable investments with a social objective:** ____%



It **promotes Environmental/Social (E/S) characteristics** and while it does not have as its objective a sustainable investment, it will have a minimum proportion of 15% of sustainable investments



with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy³



with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy⁴



with a social objective



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

¹ The EU Taxonomy targets Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to encourage sustainable investment.

² Idem.

³ Idem.

⁴ Idem.



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

The ESG approach to managing the Financial Product aims to identify and select issuers that :

- Propose innovations and solutions to major challenges: demographics, urbanization, environment, climate, agriculture, food, public health...
- Anticipate the importance of these issues by acting responsibly in line with the four pillars of the Management Company's ESG philosophy.

This analysis is based on the Management Company's own GREaT philosophy, which is built around the following 4 pillars:

- Responsible governance
- Sustainable Resource Management
- Energy Transition
- Territorial Development

The weighting associated with each pillar in calculating an issuer's GREaT rating is adjusted according to its sector of activity, to take account of its specific features. For example, the challenge of reducing greenhouse gas emissions is not the same for a company in the service sector as it is for an industrial company, the former being structurally less emissive than the latter. In any case, the weighting associated with each of the three pillars "Environment", "Social" and "Governance", calculated by reallocating the criteria of the GREaT pillars, is systematically greater than or equal to 20%, and can be as high as 60%.

In addition, as part of its liquidity management, the Financial Product may invest in UCIs that have obtained the French SRI label ⁵.

For investments in "government securities" (sovereign bonds):

The SRI approach aims to evaluate securities according to environmental, social and good governance criteria, without however taking the results of this evaluation into account in a measurable way for the construction of the portfolio. **These government securities may represent a maximum of 0% of the Financial Product's net assets.**

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

⁵ Or a label recognized as equivalent by the French SRI label committee.

Indicator	Associated constraint
GREaT ESG analysis methodology	The score obtained by the portfolio according to the GREAT ESG analysis methodology (as described in the pre-contractual document) must be better than the “ Improved Average Score ” of its Analysis Universe (made up of the stocks making up the following index(es): Stoxx Europe 600 price + S&P 500 price (in US dollar) + FTSE Convertible Global Hedged and subject to ESG analysis ⁶). The Improved Average Rating corresponds to the average rating of the Analysis Universe obtained after removing 30% of issuers with the following filter : Management Company exclusion lists, French SRI label exclusions, and GREAT ESG rating ⁷).
Key Performance Indicators	The Financial Product aims to outperform its Analysis Universe on the following specific indicators: - Net Zero Trajectory: Share of companies whose greenhouse gas emission reduction targets are validated by SBTi. - Gender diversity in governance bodies: Average ratio of women to men in the governance bodies of the companies concerned, as a percentage of the total number of members.
Low-carbon transition of high climate impact emitters	Le Produit Financier assure qu’au moins 15% des émetteurs des « secteurs à fort impact climatiques » tels que décrits par le Règlement Délégué (UE) 2022/1288 (« Règlement Délégué SFDR ») sont dotés d’un plan de transition crédible vis-à-vis des objectifs climatiques fixés par l’accord de Paris, selon l’analyse de la Société de Gestion.
Investments in environmentally or socially sustainable activities	A minimum of 15% of the Financial Product's net assets will be invested in environmentally or socially sustainable investments, as defined in the section "What are the Sustainable Investment objectives that the Financial Product partially intends to achieve and how does the Sustainable Investment contribute to these objectives?" below.

● ***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 sustainable investment minimum is specified in the question "**Does this financial product have a sustainable investment objective?**"

The Financial Product aims to achieve environmental and social Sustainable Investments within the meaning of the SFDR Regulation. The minimum threshold of Sustainable Investments targeted by the Financial Product is specified at the top of this appendix in the box “Does this financial product have a Sustainable Investment objective?”.

⁶ Corresponds to issuers subject to a GREAT rating or identified on an exclusion list.

⁷ The ESG rating filter excludes the lowest-rated issuers.

With regard to the **environment**, the 6 objectives of the European Taxonomy are considered, namely :

- Mitigation of climate change;
- Adaptation to climate change;
- Sustainable use and protection of marine resources;
- Transition to a circular economy;
- Pollution prevention and reduction;
- Protection and restoration of biodiversity and ecosystems.

It should be noted that the methodology applied by the Management Company does not enable the contribution of investments to be measured according to the European Taxonomy definition (i.e. the taxonomic alignment of investments). The contribution of investments to environmental objectives within the meaning of Article 2(17) of Regulation (EU) 2019/2088 (“SFDR Regulation”) is measured using indicators specific to the LBP AM Group and specified below.

On the social theme, the objectives considered are:

- The respect and promotion of Human Rights⁸, in particular the promotion of fair and favorable working conditions and social integration through work, the protection and promotion of the rights of local communities ;
- The development of territories and communities, through relations with stakeholders outside the company and the responsible management of value chains, and in order to address the challenges of socio-economic development, the fight against social and territorial divides, support for local players and access to education;
- Improve access to healthcare and essential care worldwide, by addressing issues of availability, geographical accessibility, affordability and acceptability of treatment.

This generalist strategy does not imply that every sustainable investment meets all the above-mentioned environmental and social objectives, but that sustainable investments must meet at least one of these challenges, while not significantly harming the others.

The contribution to one of the aforementioned environmental and social objectives is assessed from various sources, including :

For all **environmental** and **social** objectives:

- The “GREaT” score, a proprietary quantitative analysis methodology that covers all environmental and social objectives⁹ ;

⁸ Human Rights are defined as the inalienable standards of treatment to which all persons are entitled, regardless of sex, national or ethnic origin, color, religion, language, disability, sexual orientation or gender, or any other status..

⁹ A fuller description of the “GREaT” analysis methodology is available in LBP AM's Responsible Investment report: https://www.lbpam.com/publication/ComplianceDoc/sustainable_investments_methodology.pdf

- The “ODD” score, a proprietary qualitative analysis that evaluates companies' products, services and practices in order to measure their contribution to achieving the United Nations' Sustainable Development Goals (SDGs);
- On the specific objectives of **climate** and **biodiversity**:
- The issuer's commitment to a trajectory of decarbonization of its activities compatible with the objectives of the Paris agreements, according to criteria defined by the Management Company;
- The “Greenfin” score, a quantitative indicator measuring the exposure of the issuer's business model to eco-activities as defined by the French government's Greenfin label, dedicated to financing the energy and ecological transition¹⁰;
- The “Bird” score, a quantitative indicator developed by the Management Company to assess companies primarily on their policies, practices and impacts related to biodiversity;
- The “Climate & Biodiversity Maturity” score, a proprietary qualitative analysis designed to assess the maturity of companies in addressing the climate and biodiversity challenges they face and will face in the future;

On the specific theme of **access to healthcare** :

- The “AAAA” score (Acceptability Accessibility Affordability, Availability), a qualitative analysis designed to assess the contribution made by companies, through their products and services, to the 4 dimensions of access to healthcare (Availability, Geographical Accessibility, Financial Accessibility, Acceptability) inspired by the work of the World Health Organization (WHO) on the subject.

A detailed description of the thresholds applied for each criterion is available on the Management Company's website:

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

The **main negative impacts** correspond to the most significant negative impacts of investment decisions on sustainability factors related to environmental, social and personnel issues, respect for human rights and the fight against corruption and bribery.

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

In order to ensure that an investment contributing to a sustainability objective, according to the analysis method presented above, does not cause significant harm to any environmentally or socially sustainable investment objective, and complies with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights, the methodology applied by the Management Company systematically and cumulatively considers:

- The issuer's environmental and human rights management practices. This point is checked using the proprietary “GREAT” extra-financial analysis methodology;

¹⁰ The list of eco-activities is available on the label's website: [Le label Greenfin | Ministères Écologie Énergie Territoires \(ecologie.gouv.fr\)](https://www.ecologie.gouv.fr/le-label-greenfin)

- The issuer's exposure to environmentally and socially sensitive sectors, in line with the exclusion policies applicable in the LBP AM Group's management companies;
- The issuer's exposure to severe controversy over environmental, social and governance issues, or to a critical risk of serious violation of the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights.

A detailed description of the thresholds associated with each criterion, as well as the exclusion policies applied, is available on the Management Company's website:

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

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

Commission Delegated Regulation (EU) 2022/1288¹¹ Delegated Regulation (EU) 2022/1288 (hereinafter the "SFDR Delegated Regulation") defines a list of indicators for measuring an issuer's negative impact on environmental and social sustainability factors (hereinafter the "Negative Impact Indicators").

Negative impact indicators are calculated for each issuer, where available, and integrated into the extra-financial analysis tool.

Some indicators have also been directly integrated, either into the GREAT proprietary rating methodology used both to identify a positive contribution or a significant negative impact, or into the controversy indicator mentioned above, or into the analysis for the application of exclusion policies.

The list of indicators and a fuller description of how they have been integrated into the analysis is available on the Management Company's website:

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

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

Sustainable Investments' compliance with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights is ensured by the following elements:

¹¹ Commission Delegated Regulation (EU) 2022/1288 of April 6, 2022 supplementing Regulation (EU) 2019/2088 of the European Parliament and of the Council with regulatory technical standards detailing the content and presentation of information relating to the "do no material harm" principle and specifying the content, methods and presentation for information relating to sustainability indicators and negative sustainability impacts, as well as the content and presentation of information relating to the promotion of environmental or social features and sustainable investment objectives in pre-contractual documents, on websites and in periodic reports.

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.

- The application of the management company's policy of exclusion in relation to these international treaties, coupled with ad hoc controversy control;
- The disqualification of issuers identified as having poor practices in the "Sustainable resource management" pillar of the GREaT analysis methodology, which includes criteria relating to respect for human rights and labor law.

A detailed description of the thresholds applied for each criterion is available on the Management Company's website, in the document "LBP AM-TFSA _ Sustainable Investment Methodology" available here:

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

The EU Taxonomy sets out a “do not 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 investments must also not significantly harm any environmental or social objectives.



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

X

Yes

The Financial Product takes into account the main negative impacts on sustainability factors through the various elements of its investment strategy, namely:

- exclusions (as specified above) ;
- Analysis and selection of portfolio securities, according to the method detailed in the body of the pre-contractual document¹² ;
- Shareholder engagement and voting policy;
- Particular attention is paid to identifying, monitoring and dealing with controversies, according to the approach specified in the exclusion policy¹³

For more details on the implementation of these various elements, investors can refer to the report on Article 29 of the French Energy-Climate Act, available on the Management Company's website (https://www.lbpam.com/publication/ComplianceDoc/sustainable_investments_methodology.pdf) and the annual report of the Financial Product, available on the page dedicated to the UCI.

☐ No

What investment strategy does this financial product follow?

- ***What are the binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by this financial product?***

(i) the constraints associated with the sustainability indicators presented in the section “Which sustainability indicators are used to measure the achievement of each of the environmental or social characteristics promoted by the financial product?” above;

(ii) the Management Company's exclusion policy: all securities identified by the Management Company's exclusion committee are systematically excluded. The exclusion list, based on analyses of ESG controversies or allegations, identifies cases of severe, systematic and uncorrected violations of ESG rights or infringements. The exclusion list also includes certain issuers belonging to controversial sectors such as tobacco, gambling, coal, oil and gas, according to criteria defined by the Management Company. A fuller description of the exclusion policy applied is available on the Management Company's website;

(iii) Exclusions defined by the French SRI label¹⁴.



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

¹² If the financial product is a mutual fund, this is the prospectus or regulations, where applicable. If the product is a discretionary mandate managed by the Management Company, this is the mandate contract.

¹³ <https://www.lbpam.com/fr/publications/politique-exclusion>

¹⁴ Exclusions are specified in the label's reference guide, available on the label's website <https://www.lelabelisr.fr>

- ***What is the committed minimum rate to reduce the scope of the investments considered prior to the application of that investment strategy?***

The investment strategy is not intended to ensure a reduction in the Financial Product's Universe of Analysis. However, it does aim to ensure that the Financial Product will have an ESG rating, calculated using GREaT's proprietary analysis methodology, better than that of its Analysis Universe after removing 25% of issuers (including the following filters: Management Company exclusions, French SRI label exclusions and quantitative ESG rating). The score thus calculated is called the "Improved Average Score".

- ***What is the policy to assess good governance practices of the investee companies?***

Analysis of corporate governance practices is one of the pillars of the ESG analysis methodology described in the section "Which environmental and/or social characteristics are promoted by this Financial Product?". This covers issues such as the balance of power, fair remuneration and business ethics. Companies are systematically rated on their governance practices, and those with unsatisfactory practices are penalized when selecting the securities invested by the Financial Product.

In addition, the Société de Gestion encourages good governance practices through its engagement and voting policy, which deals in particular with the subjects of balanced compensation, value-sharing between executives and employees, and diversity and parity within management bodies¹⁵.

Good governance practices include sound management structures, employee relations, remuneration of staff and tax compliance.



What is the asset allocation planned for this financial product?

The Financial Product commits to a minimum proportion of 80% of investments aligned with the environmental and social characteristics specified in the section "Which environmental and/or social characteristics are promoted by this Financial Product?".

The remainder of the investment in the financial product may be used for hedging, liquidity management or diversification purposes, as well as to generate a financial return.

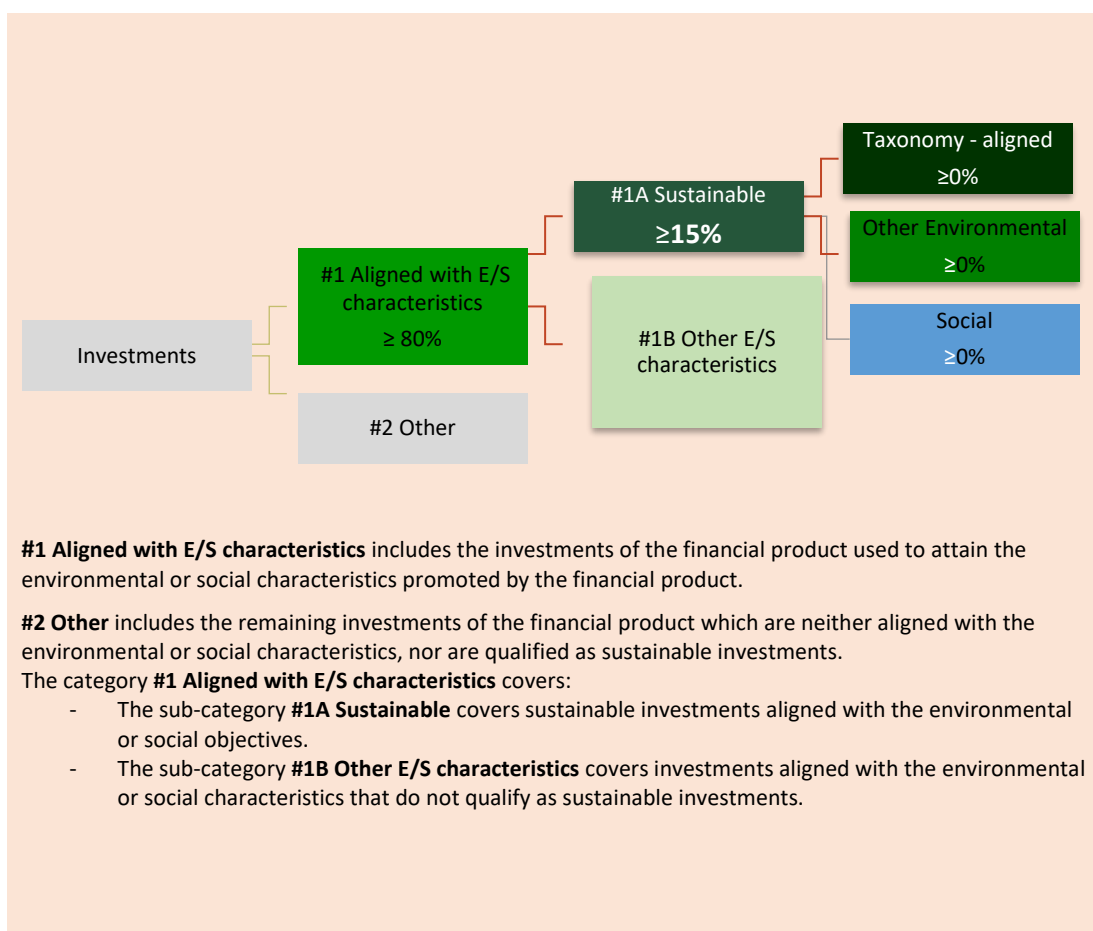
The Financial Product also undertakes to invest a minimum proportion of 15% of its net assets in sustainable investments, as defined in the section "What are the Sustainable Investment objectives that the Financial Product intends to pursue in particular and how do the investments made contribute to these objectives?".

Asset allocation describes the share of investments in specific assets.

¹⁵ Policies and reports on engagement and voting practices are available on the Management Company's website https://www.lbpam.com/publication/ComplianceDoc/sustainable_investments_methodology.pdf

Taxonomy-aligned activities are expressed in % :

- **Sales** to reflect the proportion of revenues generated by the green activities of the companies in which the financial product invests;
- **Capital expenditure** (CapEx) to show the green investments made by the companies in which the financial product invests, for a transition to a green economy for example;
- **Operating expenses** (OpEx) to reflect the green operational activities of the companies in which the financial product invests.



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

The derivatives used by the Financial Product are not intended to contribute to the achievement of the environmental or social characteristics promoted. Their use is limited to hedging operations or temporary exposure in order to respond to a strong movement in liabilities, to gain temporary exposure to market beta or to accompany a change in strategy.

In addition, the Management Company ensures that the use of derivatives does not run counter to the environmental or social characteristics promoted by the Financial Product. In particular, the Management Company does not use derivatives to artificially improve the product's extra-financial performance.

Constraints relating to the use of derivatives are specified in the pre-contractual documentation¹⁶.



¹⁶ If the financial product is a mutual fund, this is the prospectus or regulations, where applicable. If the product is a discretionary mandate managed by the Management Company, this is the mandate contract.

To what minimum extent are sustainable investments with an environmental objective aligned with the EU Taxonomy¹⁷?

- **Does the Financial Product invest in fossil gas and/or nuclear energy related activities that are aligned with the European Taxonomy?**

☐ Yes

☐ In fossil gas

☐ In nuclear energy

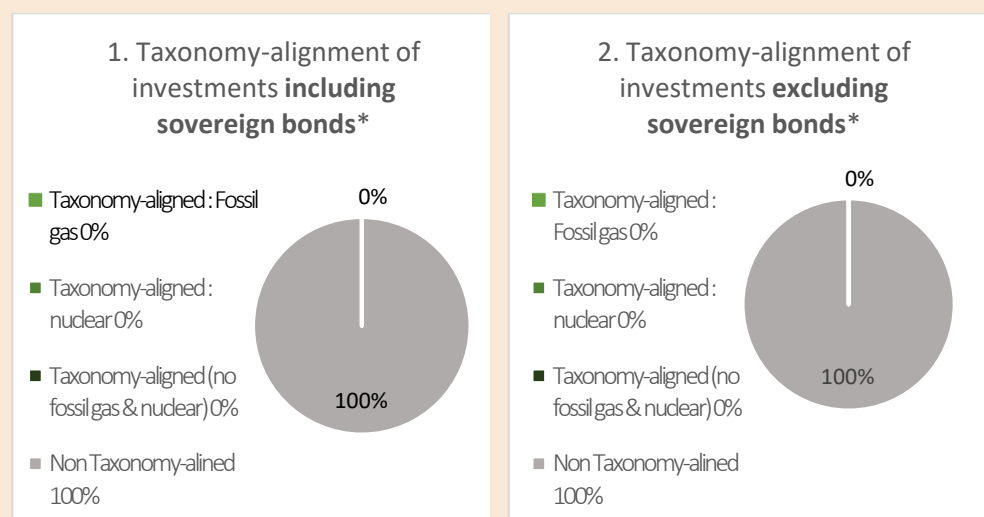
☒ No

To comply with the EU Taxonomy, the criteria for **fossil gas** include limitations on emissions and switching to renewable power or low-carbon fuels by the end of 2035. For **nuclear energy**, the criteria include comprehensive safety and waste management rules.

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 that are aligned with the EU Taxonomy. As there is no appropriate methodology to determine the Taxonomy-alignment of sovereign bonds, the first graph shows the Taxonomy alignment in relation to all the investments of the financial product including sovereign bonds, while the second graph shows the Taxonomy alignment only in relation to the investments of the financial product 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 Financial Product does not commit to a minimum proportion of investments in transitional and enabling activities.

¹⁷ Fossil gas and nuclear activities will be aligned with the Taxonomy only if they contribute to combating climate change ("Climate change mitigation") and do not cause significant harm to any other Taxonomy objective - see explanatory note in the left margin. The full criteria for fossil gas and nuclear activities that comply with the EU Taxonomy are in Commission Delegated Regulation (EU) 2022/1214.



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



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

As indicated in the section "Does this financial product have a sustainable investment objective?", this product aims to invest at least 15% of its net assets in sustainable investments.

However, the product had not made any commitment on the weight of sustainable investments not aligned with the EU taxonomy.

The financial product may invest in economic activities other than environmentally sustainable economic activities because they contribute to the environmental and/or social objectives promoted by this financial product.



What is the minimum share of socially sustainable investments?

As indicated in the section "Does this financial product have a sustainable investment objective?", this product aims to invest at least 15% of its net assets in sustainable investments.

However, the product made no commitment to the social impact of sustainable investment.



What investments are included under “#2 Other”, what is their purpose and are there any minimum environmental or social safeguards?

The "Other" category, which represents a maximum of 20% of the Fund's net assets, contains all types of assets. These assets may be used for hedging, liquidity management or diversification purposes, as well as to generate a financial return. They are covered by the following minimum environmental and social guarantees (implemented on the entire portfolio):

- exclusions applied by the Management Company, as specified in the exclusion policy
https://www.lbpam.com/publication/ComplianceDoc/sustainable_investments_methodology.pdf
- commitment and voting policy for equity investments.



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?

The fund does not aim to replicate the environmental and/or social characteristics of an index.

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

Not applicable

- ***How is the alignment of the investment strategy with the methodology of the***

Not applicable

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

Not applicable

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

Not applicable



Where can I find more product specific information online?

Further information on the UCI is available on the website:
<https://lb pam.com/en/products/fr0013403755>