GAY-LUSSAC
GESTION

# SRI POLICY

October 2021

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# Preamble – Our SRI Approach

"Gay-Lussac Gestion has adopted a global and participatory responsible approach for all its financial activities – by applying ESG criteria to its investment processes – but also non-financial, by adopting principles of sustainable development. Each client and each employee contribute every day to perpetuate and transmit these responsible practices that are the pride of Gay-Lussac Gestion".

**Emmanuel LAUSSINOTTE**,
Head of the Gay-Lussac ESG Committee

Gay-Lussac Gestion sees sustainable investment as a set of progress to be made, resolutions to be taken and challenges to be met regarding current and future issues.
Gay-Lussac Gestion is committed to implement a policy aiming at limiting the effects of climate change, social inequalities and unfair commercial practices.

<u>Three dimensions for ESG analysis</u>

- **The Environmental Factor**

To Gay-Lussac Gestion, the environmental criterion is essential for decision-making. It guides the decisions taken both in the field of fund management and in the choice of our partners and service providers.

Indeed, the idea is to analyze the positive as well as the negative impact of the titles that we define as "investable".

We consider their direct and indirect impacts on the environment, in terms of energy consumption, greenhouse gas emissions, resource depletion and biodiversity protection.

- **The Social Factor**

By social criteria we mean the well-being of employees within the company. We have focused on certain factors: the right to training, equity and the incidence rate (work incident, etc.).

- **The Government Factor**

This factor highlights the management of the companies with which we work or in which we invest. Through this criterion, we act against conflicts of interest, corruption… We meet the governance of these companies. We want to ensure its stability and values in the short, medium, and long term.

# 1) Gay-Lussac Gestion, a committed management company

## Who are we?

Gay-Lussac Gestion (initially Raymond James Asset Management International) is a management company operating in France since 1995 and offering three areas of expertise: private management, fund management and corporate savings.

Our mission is to invest responsibly to create sustainable value and a portfolio for the future. Our approach to management makes Gay-Lussac Gestion a place that wants to protect the heritage of our clients for generations to come.

Gay-Lussac Gestion strives to implement several initiatives related to Socially Responsible Investment (Principles for Responsible Investment, Forum for Responsible Investment etc.)

The values of responsibility have long animated the decisions taken by our teams. By structuring its Socially Responsible Investment (SRI) approach through the formal adoption of an ESG (Environmental, Social and Governance) policy and the appointment of an ESG committee for this purpose, Gay-Lussac Gestion is proud to evolve within its responsible commitments.

## CSR policy

### Environment – Objectives to reduce our consumption

Gay-Lussac Gestion is committed to reducing its energy consumption and minimizing the use of paper within the company. To this end, we encourage the dematerialization of documents, with the help of telephonic conferences, and the limitation of single-use plastic wherever possible.
The provision of a water fountain and a re-usable water bottle to our employees has significantly decreased our consumption of single-use plastic water bottles.
Gay-Lussac Gestion recycles its waste, in a logic of selective sorting and optimization of the resources used.

les joyeux recycleurs

Gay-Lussac Gestion is proud to participate with "Les Joyeux Recycleurs" approach which offers a second life to the waste collected in our offices.

Since the installation of the collection boxes in September 2018, 2023 kg of waste has been collected, recycled, and transformed thanks to their device.

## Social – Inclusion & Diversity

At Gay-Lussac Gestion, we encourage diversity and want to avoid any kind of discrimination (sex, religion, nationality, disability...), whether in hiring but also throughout our daily life.

Gay-Lussac Gestion is committed to recruiting with respect for equal opportunities and diversity.

During the recruitment process, we do not discriminate, and focus our recruitment policy on the candidate's skills, suitability for the position, professional abilities, not taking into consideration his sexual orientation, religion, or any other characteristic that may lead to discrimination.

We offer our employees (whose personal organization requires it) flexibility in the organization of their work through various means: teleworking, scheduling, or part-time work, without having an impact on their career.
In addition, let's highlight the expertise and skills of each employee, regardless of the function occupied: management, support, control, management...

We apply pay equity measures, in accordance with our compensation policy, available on our website www.gaylussacgestion.com, in the "Regulatory notices" section: https://www.gaylussacgestion.com/wp-content/uploads/2021/05/Extrait-de-la-politique-de-remuneration-RJAMI-2020.pdf.

**Social initiatives**

During the month of March 2021, we supported **the Institut Curie** and their cancer research by participating in "*La Course de la Jonquille Contre le Cancer*".

For each kilometer travelled, a donation of €1 was made to the Institute Curie. Being a company of about twenty employees, Gay-Lussac Gestion is proud to have covered 294km during this race and to have donated this sum in addition to the registration fees to the Institute Curie.

The Institute Curie is a pioneer in the field of artificial intelligence, which is called upon to profoundly transform cancer practices: diagnostic aid, therapeutic decision support, evolutionary follow-up of the patient...

## Societal – Support for the French economy

Both at the level of the organization within the company and in our relationship with our customers, our service providers or in the choice of our investments, we promote our CSR philosophy around the following axes:

- Choosing providers who promote social integration.
- Support the French social economy through the choice of our suppliers.
- Technological innovation.

**Our support in the French economic recovery: the "Label Relance" :**

The Relance label recognizes funds committed to mobilizing new resources to support the equity and quasi-equity of French companies (SMEs & MIDEs) listed or not. Labelled funds must also comply with a set of ESG criteria, including the prohibition of the financing of coal-fired activities and the monitoring of an ESG rating or indicator.

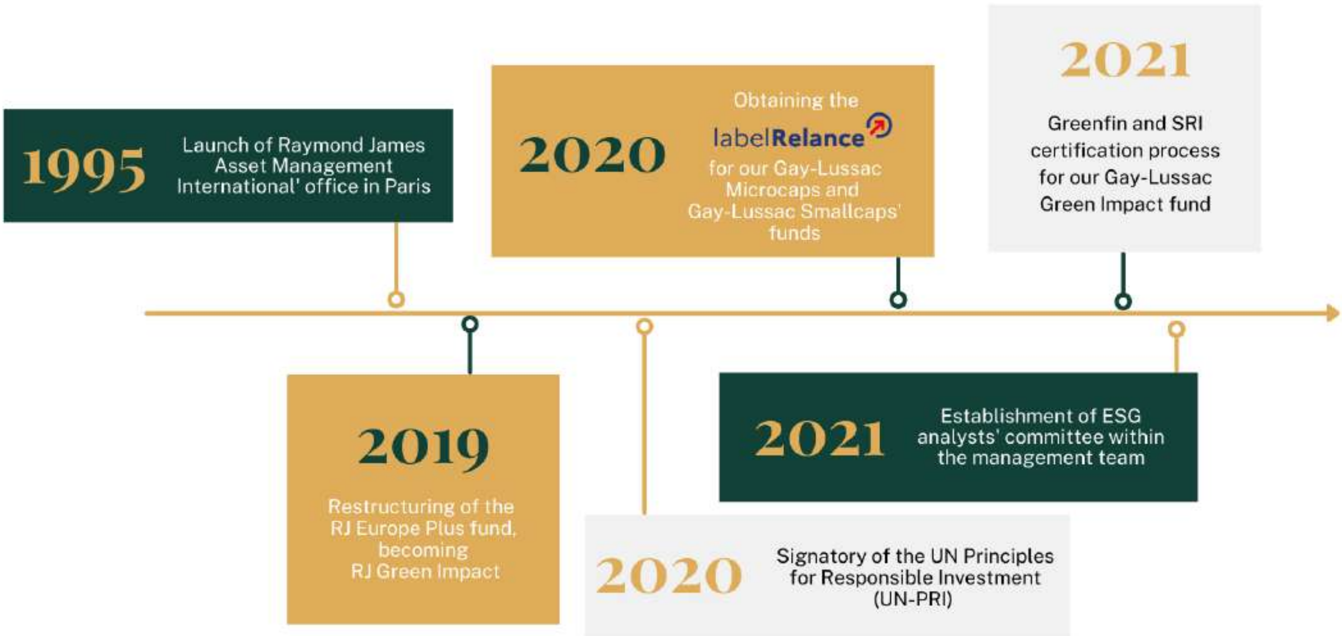
The funds that have been awarded the *Label Relance* are :

  - Gay-Lussac Microcaps (02/11/2020)
  - Gay-Lussac Smallcaps (on 17/11/2020)

The sub-funds which have obtained the *Label Relance* are :

- RJ Funds Gay-Lussac Smicrocaps (10/05/2021)


## History of ESG at Gay-Lussac Gestion



## Alignment with the Paris Agreements

The Paris Agreement is a legally binding international treaty on climate change. It was adopted by 196 Parties at the COP 21 in Paris on 12 December 2015 and entered into force on 4 November 2016.

Its goal is to limit global warming below 2°C, preferably 1.5 °C above pre-industrial levels.

To achieve this long-term temperature goal, countries aim to reach the global peak in greenhouse gas emissions as soon as possible to achieve a climate-neutral world by mid-century.

The Paris Agreement is a milestone in the multilateral process of combating climate change because, for the first time, a binding agreement brings all nations into a common cause to undertake ambitious efforts to combat climate change and adapt to its effects.

Gay-Lussac Gestion is proud to publicly support these agreements, wishing to apply to its management a responsible investment policy including:

1. The application of filters (internal ESG rating, follow-up to ESG controversies, exclusions).
2. The calculation of indicators (the carbon share, the green share of the issuer's turnover corresponding to eco-activities according to the Greenfin label benchmark, alignment with the European green taxonomy) of some of our portfolios, in particular the Gay-Lussac Green Impact fund.
3. As well as a low-carbon indicator aligned with the 2°C strategy on our Green Impact fund (calculation of the percentage of energy production from green and alternative energies weighted in the portfolio). This percentage aims to match or even outperform the percentage resulting from the Paris Agreements alignment scenario for 2050 (66%).

The implementation of this SRI policy is developed with the objective of having a more responsible management, and to reduce the greenhouse gas emissions implied by our investment choices, following the principles set out in the Paris Agreements in 2015.

## Alignment with Article 173 of the Energy Transition Law

Article 173 of French Law No.2015-992 of 17 August 2015 for the Energy Transition and Green Growth requires institutional investors to indicate the actions taken to help contain global warming below 2°C.

The decree adopted pursuant to Article L. 533-22-1 of the Monetary and Financial Code and resulting from Article 173-VI of the Law on the energy transition for green growth, defines the information to be published under these criteria and specifies the information that can be given on climate aspects. The decree provides for a review of its application by the government within 3 years of its entry into force.

Article 173 is aimed at more than 840 institutional investors who are now required to publish with transparency their integration of environmental, social and governance (ESG) criteria into their investment operations.

This article makes the TEE act the first in the world to encourage institutional investors to publish ESG reporting of their activities, which we provide in the monthly reporting of funds:

- **Gay-Lussac Microcaps**
    - Part A - Code ISIN FR0010544791
    - Part I - Code ISIN FR0011672757
    - Part R - Code ISIN FR0013430550
    - Part H – Code ISIN FR0013392115

- **Gay-Lussac Smallcaps**
    - Part A - Code ISIN FR0011759299
    - Part I - Code ISIN FR0013228327

- **Gay-Lussac Green Impact**
    - Part A - Code ISIN FR0010178665
    - Part I - Code ISIN FR0010182352
    - Part R- Code ISIN FR0014000EI9

- **The Sub-find RJ Funds Smicrocaps**
    - Part P : Code ISIN LU2022049022
    - Part I : Code ISIN LU2022049295

- **The corporate savings managed by Gay-Lussac Gestion**

In terms of employee savings, our ambition is to also reconcile economic performance and societal commitment, by supporting companies and public entities that contribute to sustainable development - and to influence the governance and behaviour of societal actors in favour of a responsible economy.
We thus integrate certain ESG criteria into the construction of business-to-business and dedicated portfolios, as well as into our responsibility in terms of voting policy.

Thus, in accordance with the legislation of Article 173 of the TEE Law we indicate in the extra-financial reports the ESG rating of the portfolios, thanks to the criteria defined by our extra-financial analysis team. In the monthly reporting of the Gay-Lussac Green Impact fund, we provide other measurement indicators, such as the green intensity of the portfolio, but also the contribution of our investments in the fight against climate change and the promotion of the energy transition, the carbon share of the portfolio, and our climate risk management.

## Alignment with the Task Force on Climate-Related Financial Disclosure (TCFD)

TCFD | TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

The Taskforce on Climate-Related Financial Disclosures (TCFD) was established at the request of G20 leaders.

In 2017, it published a set of recommendations to encourage consistent, reliable, and clear financial reporting that allows investors to take due account of Climate-Related risks. These recommendations are now widely recognized by governments, investors, and financial officials. The TCFD is now the latest best practice in climate reporting.

These recommendations aim to help actors in the financial world (banks, insurance companies, owners and asset managers) to better assess the extent to which the companies with which they are in contact are prepared for climate change-related developments.

Gay-Lussac Gestion publicly supports the recommendations of the TCFD, so that issuers improve their transparency regarding their extra-financial data.

The recommendations for the development of non-financial reporting by issuing companies allow us as an investor to be able to carry out more accurate and complete ESG analyses of our portfolio positions, for example on the carbon intensity of our portfolios.

In this way, these recommendations represent a tool allowing us to have a better SRI engagement by moving away from the concepts of *"greenwashing"*, which we want to avoid.

## Supporting the Finance For Biodiversity Pledge

Since September 2021, Gay-Lussac Gestion has become a signatory and supporting member of the European Finance For Biodiversity Pledge.

On the eve of COP15, the UN conference on biodiversity in 2022, Gay-Lussac Gestion joins the other financial institutions signatories in a call for action and awareness to reverse the loss and degradation of biodiversity during this decade.

As a supporting member of the Finance for Biodiversity Foundation, Gay-Lussac Gestion now has access to biodiversity methodologies and knowledge, and participates in annual research through conferences.

## Member of the EU Business @ Biodiversity platform

This platform for dialogue between the European Commission and companies from all sectors (over 300 member organisations) allows them to exchange and share best practices for integrating biodiversity considerations into their activities.

Being an active member of this platform allows Gay-Lussac Gestion teams to have :

- Networking and collaboration with like-minded peers through experience sharing and mutual learning.
- Opportunities to participate in working groups and gain knowledge on how to integrate biodiversity and natural capital considerations into your activities and assess/measure/report your impacts and dependencies on natural capital and biodiversity.
- Opportunities to engage directly with policy makers at European level.
- Access to key information on recent policy developments and funding opportunities in the field of business and biodiversity through our quarterly newsletter.
- Access to new business partners and business opportunities across Europe.

## PRI compliance commitment

Gay-Lussac Gestion has been a signatory to the United Nations Principles for Responsible Investment (UN-PRI) since 2010 and is committed to a process of progress with:

1. The consideration of ESG issues in its shareholder policies and practices,

2. The request to the entities in which it invests to publish appropriate information on ESG issues,
3. The promotion and application of the Principles among investment sector actors,
4. Exchange with other signatories in the application of the Principles,
5. Evaluation of the effectiveness of its progress in implementing the Principles.

Since 2021, Gay-Lussac Gestion has stepped up its commitment by providing comprehensive annual reporting and applying the 6 Principles for Responsible Investment:

1. Taking ESG issues into account in the investment analysis and decision-making process.
2. Be active investors and consider ESG issues in our shareholder policies and practices.
3. Requiring the entities in which we invest to publish appropriate information on ESG issues.
4. Promoting the acceptance and application of the principles among asset management stakeholders.
5. Working together to increase our effectiveness in applying the Principles.
6. Reporting individually on our activities and progress in implementing the Principles.

# 2) Definitions of sustainability risks

## Sustainability risk

A sustainability risk is an environmental, social or governance event or situation that, if it occurs, could have an actual or potential adverse effect on the value of the investment. Sustainability factors include environmental, social and personnel issues, respect for human rights and the fight against corruption and bribery.

In their sustainable development risk policy, made public in accordance with Article 3 of the Regulation of the European Parliament and of the Council on the publication of information on sustainable investments and sustainability risks and amending Directive (EU) 2016/2341, French management companies include information on the risks related to climate change as well as on the risks related to biodiversity.

## Main environmental risks (climate change & biodiversity)

| Risks | Main Sub-Risks | Probability | Horizon | Impact |
|---|---|---|---|---|
| **Physical risks** | - Pollution risk<br>- Transition risk related to energy regulations<br>- Risks related t o the degradation of water quality<br>- Asbestos risks<br>- Flood risk<br>- Risks of water rising<br>-Risks of accelerating the loss of biodiversity | Medium | Medium term | Moderate |
| **Transition risk** | - Transition risk related to energy or climate change regulations | Medium | Medium Term | Moderate |
| **Liability risk** | - Risks related to activities presenting a risk of litigation | Medium | Medium Term | Moderate |

## Main social & governance risks

| Risks | Main Sub-Risks | Probability | Horizon | Impact |
|---|---|---|---|---|
| **Social risks** | - Risks related to the lack of diversity and equal opportunities for all<br>- Risks related to the lack of employee participation in decision-making processes<br>- Risks related to the lack of continuing education and professional development<br>- Risks associated with a non-multigenerational environment<br>- Risks related to a lack of work/life balance<br>- Risks related to pandemics and remote work | Medium | Medium term | Moderate |
| **Governance Risks** | - Governance Structure Risks<br>- Executive compensation risks<br>- Risks associated with regulated agreements<br>- Corruption risks | Medium | Medium Term | Moderate |

## Taking sustainability risks into account in investment policy

Gay-Lussac Gestion takes into account the sustainability risks defined above in its investment policy by analyzing for each value invested or in Watch List the ESG+ criteria defined in point 3.1.2., allowing to obtain an ESG risk indicator out of 10 for each fund. Furthermore, taking account of sustainability risks also involves our policy of sectoral exclusion, detailed in section 3.1.3. of this document.

## Limitations on taking sustainability risks into account

Currently, there is no universally recognized framework or list of factors to be considered to ensure that investments are sustainable, and the legal and regulatory framework governing sustainable finance is still under development.

The application of ESG criteria to the investment process, as part of the consideration of sustainability risks, may exclude securities of certain issuers for non-financial reasons, which may involve forgoing certain market opportunities available to other funds that do not use ESG or sustainability criteria.

The ESG information available, whether from third-party data providers or from the issuers themselves, may be incomplete, inaccurate, piecemeal, or unavailable, which may have a negative impact on a portfolio that relies on this data to assess the appropriate inclusion or exclusion of a security. The approach to sustainable finance will evolve and develop over time, both due to the refinement of investment decision-making processes to consider ESG factors and risks, but also due to legal and regulatory developments.

## Limits linked to the consideration of extra-financial criteria in the context of the impact measure

The definition of standards, a rating system and terminology as well as the quality and disclosure of non-financial and ESG data remain major challenges.

In the absence of global standardization, it can be difficult for investors to compare ESG offerings. The lack of a shared vision on the definition of a sustainable activity, the lack of harmonization of the methods used on the ESG activities of companies, the absence of a framework or list of universally accepted factors to guarantee the sustainability of investments, the current absence of common standards lead to different approaches to setting and achieving non-financial objectives and in particular environmental objectives , social and governance or "ESG".

As the European legal and regulatory framework governing sustainable finance is still under development, non-financial approaches and ESG criteria may vary according to investment themes, asset classes, investment philosophy and the subjective use of the different ESG indicators governing portfolio construction.

The selection and weights applied may to some extent be subjective or based on metrics that might share the same name but have different underlying meanings.

Non-financial and in particular ESG information, whether from an external and/or internal source, is, by nature and in many cases, based on qualitative and critical assessment, especially in the absence of well-defined market standards and due to the existence of multiple investment approaches.

Methodologies and approaches may differ between issuers and different providers of extra-financial information data, ... (profile of skills and experience of the staff assigned to the analysis, methodologies for collecting, processing, consolidating information, evaluation criteria and their weighting, rigor of the analysis ...).

An element of subjectivity and discretion is therefore inherent and virtually consubstantial to the interpretation and use of ESG data.

In addition, ESG and sustainability criteria may be incomplete or lack precision. To date, not all the data required to assess the main indicators of negative impact are available. There is a risk of accuracy and objectivity on the valuation of a value or issuer.

# 3) The socially responsible investment strategy

At Gay-Lussac Gestion, a global responsible investment strategy has been developed, considering the main negative impacts ("PAI") of investment decisions in relation to sustainability factors including Environmental, Social and Governance criteria, for all SRI assets.

Negative sustainability impacts refer to the negative impacts of investment decisions on sustainability factors such as the environment, social issues, respect for human rights and anti-corruption.

This is implemented through a set of environmental impact measurement indicators and through the implementation of engagement policies:

- Sectoral exclusion policies;
- Shareholder engagement and voting policy;
- Compliance with international codes;
- PRI (Principle for Responsible Investing) signatory and annual SRI reporting;
- Consideration and analysis of extra-financial criteria (Environmental, Social, Governance, Societal);
- A follow-up of the controversies of the issuing companies.

The objective is also to measure the negative impacts in terms of sustainability factors for the Gay-Lussac Green Impact fund through environmental impact measurement indicators:

- Carbon footprint measurement
- Two indicators to measure alignment with the -2° target of the Paris Climate Agreement
- Measurement of alignment with the European taxonomy

In accordance with Article 4 of the SFDR Regulation (Regulation (EU) 2019/2088), Gay-Lussac Gestion is working on considering the mandatory IAPs defined in Table 1 of Annex 1 of the final RTS report related to the SFDR Regulation as well as additional IAPs focusing on environmental, social and governance criteria, defined in Tables 2 and 3 of Annex 1 of the same report.

(Source : https://www.esma.europa.eu/sites/default/files/library/jc_2021_03_joint_esas_final_report_on_rts_under_sfdr.pdf)

This implementation aims to align with these new regulations and to be part of a unified regulatory framework for all financial market participants.

## Our investment process

Our investment process is divided into four distinct steps:

1. We define an investment universe through quantitative filters, using three risk factors: **Low Volatility, Low Beta** and **High Momentum.**
2. A quarterly macroeconomic committee made up of our experts and a recognized economist, Jean-Pierre Petit, identifies 3 to 4 major structural and/or cyclical themes targeting our investment strategy.
3. We select values that reflect these themes selected after both financial and extra-financial analysis:
    a. **The financial analysis**, based on quantitative and qualitative criteria, then makes it possible to refine the selection of values likely to be retained over time, focusing on the quality of the investment (based in particular on the fundamentals of the target company) and the acquisition price.
    b. **The extra-financial analysis** is carried out internally and focused on our approach to ESG criteria as well as sustainability impact indicators. The limitations of this extra-financial analysis are the information provided by companies, which is sometimes missing or partial.

4. The weight of each value in the portfolio is determined in terms of risk budget to reduce the volatility and risk of the portfolio.


# Consideration of ESG criteria

## MSCI ESG: our leading provider of ESG data

The consideration of sustainability risks and major negative impacts within the investment process as well as responsible investment is based on the use of extra-financial criteria. This implementation allows to quantify the ESG impact of the stocks in which Gay-Lussac Gestion is invested and/or wishes to integrate in its portfolio.

The MSCI ESG rating system is the one used by Gay-Lussac Gestion and considers extra-financial Environmental, Social and Governance criteria. The weighting of each criterion is based on the sectoral materiality of each company. The table below details the issues considered in the extra-financial analysis applied by MSCI.

**Figure 1 MSCI ESG Key Issue Hierarchy**

| 3 Pillars | 10 Themes | 35 ESG Key Issues | |
|---|---|---|---|
| Environment | Climate Change | Carbon Emissions<br>Product Carbon Footprint | Financing Environmental Impact<br>Climate Change Vulnerability |
| | Natural Capital | Water Stress<br>Biodiversity & Land Use | Raw Material Sourcing |
| | Pollution & Waste | Toxic Emissions & Waste<br>Packaging Material & Waste | Electronic Waste |
| | Environmental Opportunities | Opportunities in Clean Tech<br>Opportunities in Green Building | Opportunities in Renewable Energy |
| Social | Human Capital | Labor Management<br>Health & Safety | Human Capital Development<br>Supply Chain Labor Standards |
| | Product Liability | Product Safety & Quality<br>Chemical Safety<br>Financial Product Safety | Privacy & Data Security<br>Responsible Investment<br>Health & Demographic Risk |
| | Stakeholder Opposition | Controversial Sourcing<br>Community Relations | |
| | Social Opportunities | Access to Communications<br>Access to Finance | Access to Health Care<br>Opportunities in Nutrition & Health |
| Governance* | Corporate Governance | Ownership & Control<br>Board | Pay<br>Accounting |
| | Corporate Behavior | Business Ethics<br>Tax Transparency | |

** The Governance Pillar carries weight in the ESG Rating model for all companies.*

Source : https://www.msci.com/documents/1296102/21901542/MSCI+ESG+Ratings+Methodology+-+Exec+Summary+Nov+2020.pdf

The ESG scores of the issuers are then weighted to give a total ESG score for the portfolio.

The ESG score obtained by the funds is compared with the ESG score of their benchmark, where possible given MSCI's coverage of issuers. The ESG score of the benchmark is calculated in the same way as that of the FCP, based on the analysis provided by the MSCI ESG provider.

The objective of the extra-financial analysis is to cover all the companies in the benchmark index; however, this objective has its limits as the MSCI ESG analysis does not necessarily cover all the companies. The ESG rating strategy aims to cover at least 90% of the investment universe and the fund concerned.

This extra-financial data is available in the monthly financial reports as well as in the semi-annual extra-financial reports of the fund.

## Our internal ESG analysis

When the MSCI ESG data provider does not cover certain issuers, notably due to their small or micro-cap size, the Gay-Lussac Gestion analyst team complements the ESG analysis with internal extra-financial analysis.

Gay-Lussac Gestion has set up its own ESG rating criteria focusing on Environmental, Social, Governance and Societal criteria.

The extra-financial analysis is carried out internally and is based on Gay-Lussac Gestion's own approach to ESG+ criteria, based on the recommendations of the AFG (Association Française de la Gestion Financière). The limits of this extra-financial analysis are the sometimes missing or partial information provided by the companies.

On the other hand, these criteria are also in line with the clients' sustainable investment objectives and their personal values and convictions. These criteria represent in a detailed and precise manner what Gay-Lussac Gestion considers to be important in terms of the Environmental, Social, Governance and Societal commitments of investments.

For each issuer, the quantification of each quantitative extra-financial criterion is made relative to the average of its reference sub-sector. If the issuer is better positioned than its peers on a given criterion, then the better its score and vice versa.

For qualitative extra-financial criteria, a better rating is given if the information is shared by the issuer through its distribution channels and if the criterion does not have an overall negative influence on sustainability risks.

Subsequently, a score is calculated for each category of criteria. The weighting of each category of criteria in the overall score is based on the MSCI analysis methodology according to each sub-sector GIGS - Global Industry Classification Standard.

This extra-financial rating, ranging from 1 to 10 (10 being the best), corresponds to the weighted average of the E "Environmental", S "Social" and G "Governance" ratings, all also calculated out of 10.

In addition, societal criteria are considered by applying a bonus or malus of 1 point to the ESG rating of the issuing company, after an overall analysis of the impact of these criteria on the sustainability risks of the fund.

The distribution of extra-financial ratings is then sorted by grade from AAA to B according to this scale:

- AAA > 8.5
- AA > 7.5
- A > 6,5
- BBB > 5.5
- BB > 4.5
- B < 4,5

The extra-financial ratings of issuers are then weighted according to the allocation of each position in the portfolio, to calculate an overall rating for the FCP.

The analysis is updated as soon as issuers publish new documentation (annual reports, EPR, etc.). The objective is to have a consistent and most recent analysis.

This extra-financial data is available in the monthly financial reports as well as in the semi-annual extra-financial reports of the FCPs.

The inclusion of sustainability risks through extra-financial analysis applies to the funds:

- Gay-Lussac Microcaps (alignment art. 8)
- Gay-Lussac Smallcaps (art. 8 alignment)
- Raymond James Funds Smicrocaps (alignment art. 8)
- Gay-Lussac Europe Flex (alignment art. 8)
- Gay-Lussac Green Impact (alignment art. 9)

This analysis is not yet applied to the other funds in the range available from Gay-Lussac Gestion as not all funds are at the same stage of progress in defining and prioritizing their sustainability objectives.

**Risk of double counting**

There is a risk of double counting for some non-financial data, such as the carbon footprint of different issuers, which could bias the actual data, leading to an over/underestimation of the real impact of issuers. To avoid this risk on the carbon footprint indicator, analysts currently only consider Scope 1 and 2. In addition, analysts are attentive to the methodology for calculating Scope 2, whether it is market-based (the emissions for which the company is responsible through its purchasing decisions) or location-based (what the company physically releases into the air).

**Integration of sustainability risks linked to extra-financial criteria**

Gay-Lussac Gestion has set an alert threshold for funds applying an SRI strategy (Articles 8 or 9 SFDR) for stocks with a rating below 5.5/10, i.e. a grade < BB.

If the alert threshold is exceeded, the company is monitored in greater depth on a regular basis. The analysts pay attention to the structural or one-off nature of the sustainability risks identified and the measures taken by the companies to remedy them.

The measures taken can go as far as the disposal of the entire line concerned, depending on market conditions, and strict exclusion of the stock from the corresponding investment universe.

## Exclusion Policy

Gay-Lussac Gestion has implemented a strict exclusion policy across its entire fund range in the following sectors:

- Companies producing or marketing **chemical weapons,** biological weapons, and depleted **uranium weapons.**
- Companies involved in the manufacture, stockpiling or services of **anti-personnel mines and cluster bombs,** in accordance with the Ottawa and Oslo Conventions.
- Companies with a percentage of income equal to or greater than 5% of their turnover in tobacco production.
- Companies in the production of **recreational cannabis.**
- Enterprises carrying out activities related to coal.
- Pornography-related **activities.**
- Companies going against the 10 principles of the **UN Global Compact.**

In addition, we exclude the gambling sector **from** our SRI funds.

We also have a **policy of partial exclusion,** for our **Gay-Lussac Green Impact fund**, on:

- Companies where more than 5% of the activity is in the exploration and production and exploitation of conventional and unconventional **fossil fuels**
- **Companies for the distribution, transmission and production of equipment and services,** insofar as more than 33% (included) of their turnover is achieved with customers in strictly excluded sectors as defined above;
- Companies with more than 33% (included) of their turnover in one of the following activities:
  - Storage and burial centers **without GHG capture;**
  - **Incineration without energy recovery;**
  - Energy efficiency for **non-renewable energy sources** and energy savings related to the optimization of the extraction, transmission and production of electricity from fossil fuels;
  - **Logging,** unless it is managed sustainably;
  - **Agriculture on peat bog.**

- The **production of electricity/heat from non-renewable energy sources,** or providing equipment or services dedicated to this purpose, unless:
    - These companies have set themselves a target well below 2°C or 1.5°C, or have an SBTi commitment "Business Ambition for 1.5°C";
    - Their carbon intensity meets the following annual thresholds and their capacity to produce electricity from nuclear or coal does not increase drastically:

| | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 |
|---|---|---|---|---|---|---|
| Max. $gCO_2$/kWh | 408 | 393 | 374 | 354 | 335 | 315 |

The application of strict exclusion criteria reinforces our position on socially responsible investment.
In addition, we are focusing on the Global Industry Classification Standard *(GIGS)* to enable us to apply our sector exclusion policy on a regulatory framework basis.

## Tracking ESG controversies

**An ESG controversy** can be defined as an incident or an existing situation that a company faces as a result of allegations of negative behaviour towards various parties (employees, communities, environment, shareholders, society at large), through bad practices relating to several ESG indicators.

**The controversy note** is also a warning measure of the reputational and operational risks to which companies are exposed when they directly or indirectly contravene the 10 principles of the United Nations Global Compact in the field of human rights, international labour standards, the environment and the fight against corruption. A very severe controversy can lead to heavy financial penalties.

The objective of the ESG controversy analysis is to assess the severity of the negative impact of each event or situation on investment.

Thus, in this way, the analysis of ESG controversies among our issuers constitutes a central qualitative filter in our responsible investment policy, which we have applied to the investment strategy of our fund **Gay-Lussac Green Impact**.

Gay-Lussac Gestion has chosen to follow in priority certain reasons for controversy to respect the minimum guarantees:

- Companies identified as being involved in **child labour;**
- Companies identified as being involved in the **non-respect of human rights**;
- Companies identified as being involved in the **degradation of environmental performance;**
- Companies identified as involved in **corruption-related controversies.**

Gay-Lussac Gestion uses the MSCI ESG Controversy Tracking Analysis tool as a basis for its analysis.

We have set up an alert threshold on:

- Companies with a Red Flag regarding their controversies
- Companies that have had a recent and "very severe" controversy according to MSCI's methodology

If the alert threshold is exceeded, the following elements can be investigated:

- Structural or ad hoc nature of the controversy;
- Measures put in place by the company to remedy the controversy;
- Further follow-up of the company and its public statements regarding the controversy.

The measures taken may go as far as the divestment of the entire line concerned, depending on market conditions, and strict exclusion of the value of our investment universe.

To do our controversy tracking analysis, we monitor articles and news about the positions in which we are invested, or in which we plan to invest.

We base our analyses exclusively on reliable, non-oriented resources and diversify these resources as much as possible. This information can come from the specialized press, but also from external data providers, especially MSCI ESG.

## Sustainable investment in Gay-Lussac Green Impact

Our Gay-Lussac Green Impact Fund is further committed to socially responsible investment by having sustainable investment as its main objective. This strategy favors investment in stocks that are part of different sustainable themes such as energy efficiency, renewable energies, or sustainable innovation.

We have implemented these themes by prioritizing sustainable investments, considering the percentage of sustainable activities of each issuer according to the MSCI ESG methodology, based on the UN Sustainable Development Goals but also the European taxonomy.

Gay-Lussac Green Impact prioritizes four specific investment themes around sustainability for the Gay-Lussac Green Impact Fund. These themes are included in the investment process in the same way as the financial criteria.

### Efficiency

We select companies developing systems that minimize energy consumption for an identical service rendered. Companies capable of revolutionizing the industrial, construction and mobility sectors.

### Circular economy

We select companies that have decided to help preserve natural resources in their production cycle. They are companies capable of optimizing resource management, promoting organic farming, or avoiding deforestation (palm oil) and providing innovative answers to water quality issues or waste management.

### Energy transition

We select companies that consider in their strategy the major challenges of the energy transition. Companies capable of revolutionizing traditional models of energy production.

### Sustainable innovation

We select companies which, thanks to their know-how, tend to modify the business model of their customers to meet both economic and ecological challenges. This can be the case in digital matters or in logistics for example. They are also companies combining innovation and respect for human ecology.
Analysts study themes related to sustainable development such as hydrocarbons and CO2 consumption. They also consider the percentage of renewable energy used.

Companies are classified according to the percentage of sustainable activity in their turnover. Gay-Lussac Gestion has thus defined three types of issuers, defined according to the weight of sustainable activities in their turnover:

- Type 1 issuers: more than 50% of turnover contributing to sustainable activities.
- Type 2 issuers: between 10% and 50% of turnover contributing to sustainable activities.

- Type 3 issuers: less than 10% of turnover contributing to sustainable activities.

The Gay-Lussac Green Impact Fund, invested in listed securities, aims to respect these allocation thresholds in relation to the types of issuers:
- Type 1 issuers represent at least 25% of the portfolio
- Type 3 issuers represent a maximum of 20% of the portfolio (this is the diversification pocket)
- Type 2 issuers make up the remainder of the allocation.

## Calculating the carbon intensity of our portfolios

In accordance with a desire to measure the environmental impact of FCPs, Gay-Lussac Gestion teams measure the actual impact of investments on the environment and climate change.

To do so, Gay-Lussac Gestion calculates the carbon intensity of the portfolios, which measures the greenhouse gas emissions of the investments, based on the methodology recommended by the ADEME: Carbon intensity is a static indicator that does not reflect the dynamics of the energy transition strategies put in place by companies.

**Carbon intensity of each company (tons of CO2 / M€ of turnover)** = (Scope 1 + Scope 2) / Million euros of turnover

1. **Scope** 1: Greenhouse gas emissions from fossil fuel combustion and production processes owned or controlled by the company
2. **Scope** 2: Indirect greenhouse gas emissions related to the company's energy consumption

**GHG emissions of a portfolio company (mandatory PAI No. 1 of the RTS SFDR)** =

$$\sum_{n}^{i}\left(\frac{\text{current value of investment}_i}{\text{investee company's enterprise value}_i} \times \text{investee company's Scope}(x)\ \text{GHG emissions}_i\right)$$

**Total carbon intensity** =

$$\frac{\sum_i \frac{I_i}{\mathrm{CB}_i} * E_i}{\sum_i \frac{I_i}{\mathrm{CB}_i} * CA_i} * 1000000$$

**Total carbon footprint (mandatory PAI No.2 of the RTS SFDR)**=

$$\frac{\sum_n^i \left(\frac{\text{current value of investment}_i}{\text{investee company's enterprise value}_i} \times \text{investee company's Scope 1, 2 and 3 GHG emissions}_i\right)}{\text{current value of all investments (€M)}}$$

**Weighted carbon intensity (mandatory PAI No.3 of the RTS SFDR)** =

$$\sum_i \frac{I_i}{VP} * \frac{E_i}{CA_i}$$

- Ii = Value of the issuer's investment
- Cbi = Market capitalization of the issuer
- CAi = Annual turnover of the issuer
- Ei = Total emitter emissions
- VP = Portfolio valuation (Σ of market values of positions held)

The weighted carbon intensity measures the exposure of portfolios to the most carbon-intensive companies, regardless of company size. Gay-Lussac Gestion calculates the carbon intensity weighted by the asset value of each fund position.

In addition, this score is compared with the score of the funds' benchmark index, where possible, with the aim of achieving a better score than the latter. Thus, the publication of this indicator can be found on the monthly extra-financial reporting for Gay-Lussac Green Impact, and on the half-yearly extra-financial reprotings for the other FCPs of our fund range.

Gay-Lussac Gestion compares these carbon indicators on a monthly basis, in order to highlight the evolution of the results and the mitigation of the environmental impact of the fund.

For Gay-Lussac Green Impact, the objective is to establish a sustainable benchmark for this environmental impact indicator, choosing it for its coherence with the fund's strategic positioning on sustainability risks so that the fund's carbon footprint is controlled.

For the sake of transparency, the number of companies covered by the analysis constituting the benchmark aims to be as high as possible, however this objective has its limits as not all issuers share their extra-financial data and Bloomberg does not necessarily cover all issuers.

## Alignement with the -2°C objective: the alignment indicator of portofolio companies

Our Gay-Lussac Green Impact fund aims to implement a coherent SRI strategy aligned with the 2015 Paris Agreements.

To do this, we have set up a portfolio position alignment indicator, calculating the percentage of companies that submitted a scenario that respects the 2°C alignment trajectory of the Paris Agreement.

This information is available through the **Science Based Targets (SBT)** initiative, which allows companies to define and submit their greenhouse gas reduction targets (Scopes 1 and 2 + Scope 3 if it accounts for more than 40% of emissions) in order to align with the Paris Climate Agreement.

More than 900 companies around the world have already submitted their scenarios to the SBT. The list is available on the https://sciencebasedtargets.org/companies-taking-action website.

We also compare this score with the score of our benchmark, the STOXX 600 NR, with the goal of a higher alignment rate than this one. Thus, the publication of this indicator can be found on the monthly non-financial reporting.

## Low-carbon indicator of the fund

We have also set up a low-carbon indicator of the portfolio, calculating the share of GWh in the energy mix of each emitter from green energy, renewable or alternative sources.

The portfolio aims to outperform the percentage of decarbonized GWh (from renewable, green, or alternative energies) of the 2°C 2050 scenario (66%). This sustainable benchmark from the study "Global *Energy Transformation: A Roadmap to 2050"* of the agency IRENA (International Renewable Energy Agency) was considered to bring coherence and direction to our methodology.

In addition, the 2°C scenario of the Paris Climate Agreement indicates that the emitting positions must reach a rate of consumption of electricity from green energy of minimum 50.06% by 2025 and minimum 84.63% by 2050.

## Alignment with the European Green Taxonomy

The indicator of alignment with the European green taxonomy of the portfolio corresponds to the percentage of the turnover of companies eligible for the regulatory framework proposed by this taxonomy.

3 types of activities are identified as well as 6 major environmental objectives. An activity is then defined as green if it contributes substantially to one of these 6 objectives without significantly harming another of the objectives, and when it complies with minimum social guarantees and selection criteria.

3 types of activities identified:

1. **Low-carbon** activities, already compatible with a carbon-neutral economy in 2050
2. **Transition activities** contributing to a carbon-neutral economy in 2050
3. **Activities enabling carbon neutrality** with strong GHG reductions

6 major environmental objectives:

1. Climate change mitigation
2. Adaptation to climate change
3. Pollution control (prevention and control)
4. Sustainable use of the protection of water and marine resources
5. Transition to a circular economy, waste prevention & recycling
6. Protection of healthy ecosystems

The calculation of this alignment to the European taxonomy is applied to the funds using data available from the ESG data provider, MSCI ESG among others.

In this way, MSCI ESG provides the percentage of alignment to the taxonomy of each issuing company in which Gay-Lussac Gestion is invested or wishes to invest. The overall alignment percentage of the fund is calculated on a weighted basis, i.e. according to the allocation of each position in the portfolio.

As the allocation of the fund is not fixed in time, the overall alignment percentage of the fund varies on a monthly basis.

This alignment percentage is compared with that of the benchmark index, where possible, with the aim of being able to position against it and gradually increase this alignment over time. Thus, this indicator is published in the monthly extra-financial reporting of the Gay-Lussac Green Impact fund and in the half-yearly extra-financial reporting of the other funds.

## Our labeling goal

Gay-Lussac Gestion's short-term objective is to label the Gay-Lussac Green Impact fund.

In order to be in line with the requirements of the so-called "green" or "ESG" labels, the investment policy has been restructured, integrating an ESG analysis and taking into account the sustainability risks and climate impact of the SRI funds in the range.

This global SRI analysis takes into account several quantifiable quantitative and qualitative indicators, which are being developed along several lines:

- Strengthening the measurement of investment risk:

  - Internal rating matrix for Environmental, Social and Governance criteria
  - Monitoring of fund controversies (societal criteria)

- By strengthening the measurement of environmental impact :

  - Measuring the carbon intensity of portfolios

- Measuring the green intensity of the Green Impact fund according to the criteria defined by the Greenfin label (the percentage of companies' turnover generated by activities contributing directly or indirectly to "green growth");
- Measurement of the green share (the percentage of turnover of eligible companies aligned with the European Green Taxonomy);
- Measurement of the funds' alignment to climate change scenarios (measurement of the fund's temperature, alignment to the -2°C scenario)

The application of these criteria and indicators is reinforced on all the funds in the Gay-Lussac Gestion range.

## 4) Our range of SRI funds

### Total AUM of Gay-Lussac Gestion's SRI assets

As at 30 September 2021, the total assets under management by Gay-Lussac Gestion with an SRI strategy that takes into account sustainability risks and negative sustainability impacts amounted to :

Of the total assets under management:

- More than 393.7 million euros, i.e., 24.39% of total assets.
- 100% real data, 0% estimated data concerning the consideration of sustainability factors.

Across all mutual funds:

- 234.1 million, i.e., 87.93% of mutual funds and 14.5% of total assets.
- 100% actual data, 0% estimated data regarding the inclusion of sustainability factors.

Of all the FCPEs:

- 6.8 million, i.e., 7.17% of the funds and 0.43% of the total assets.
- 100% actual data, 0% estimated data regarding the consideration of sustainability factors.

Of the SICAV:

- 152.75 million or 16.45% of the Fund's assets and 9.46% of total assets.
- 100% actual data, 0% estimated data regarding the inclusion of sustainability factors.

On all the Certificates:

There are currently no certificates applying SRI strategies or considering the negative impact of investment decisions on sustainability factors. In the long term, Gay-Lussac Gestion wishes to develop this consideration within the certificates.

On all private client mandates:

o Gay-Lussac Gestion launched in September 2021 an SRI Management Mandate.

### Gay-Lussac Green Impact fund (Alignment Art.9 SFDR)

Gay-Lussac Gestion has been offering its investors a fund based on ESG since December 2019. Gay-Lussac Green Impact has a sustainable and responsible investment objective, i.e. it contributes significantly to an environmental objective, as defined by Article 9 of the SFDR.

Gay-Lussac Green impact is a European multi-cap/equity fund.

| Fund | Category | Location | Encours (in M€) |
|---|---|---|---|
| Gay-Lussac Green Impact | Equity | Europe | 32,8M (at 05/31/2021) |

With this fund, Gay-Lussac Gestion wishes to offer investors the possibility to align their investment objectives with their personal values and convictions.

The management objective of the fund is to outperform the reference indicator, the STOXX Europe 600 Total Return, net dividends reinvested, over a period of more than 5 years after taking into account current expenses, and by applying a sustainable investment strategy within the meaning of article 9 of the SFDR regulation, so that the fund contributes to the adaptation to climate change and to a transition towards a more sustainable and responsible activity, while taking into account the extra-financial criteria (ESG: Environmental, Social, Governance)

The extra-financial analysis is based on a Best In Universe and Thematic approach. The
The ESG Best In Universe approach takes into account extra-financial criteria (Environmental, Social, Governance) according to the MSCI ESG rating methodology and excludes 20% of the lowest rated stocks from the investment universe. The Thematic approach favors investment in sustainable themes such as sustainable innovation, renewable energies, energy efficiency, the circular economy and energy transition, by including in the fund a minimum of 25% of issuers with at least 50% of their turnover from sustainable activities and a maximum of 20% of issuers with less than 10% of their turnover from sustainable activities.
The percentage of turnover from sustainable activities is calculated according to MSCI's impact methodology, which focuses on the UN SDGs and the regulatory framework of the European taxonomy.

Dominant and complementary strategy :

- Dominant : Best In Universe + Thematic
- Complementary: Exclusion

Main asset class: Equities from European Union countries

Exclusions applied by the fund :

- Weapons (chemical/biological/depleted uranium weapons)
- Coal
- Tobacco (income equal to or greater than 10%)
- Conventional and non-conventional fossil fuels
- Cannabis
- Pornography-related activities
- Manufacture/storage/services for anti-personnel mines and cluster bombs in accordance with the Ottawa and Oslo conventions.
- Companies distributing, transporting and producing equipment and services, to the extent that more than 33% (inclusive) of their turnover is derived from customers in the fossil fuel sector
- Companies generating more than 33% (inclusive) of their turnover from one of the following activities:
  - Landfills without GHG capture
  - Incineration without energy recovery ;
  - Energy efficiency for non-renewable energy sources and energy savings related to the optimisation of fossil fuel extraction, transport and electricity generation;
  - Forestry, unless it is managed in a sustainable manner
  - Peatland agriculture

## Gay-Lussac Smallcaps and Gay-Lussac Microcaps funds (Alignement Art. 8 SFDR)

The Gay-Lussac Smallcaps and Gay-Lussac Microcaps funds are two article 8 products according to SFDR regulations. Thus, these funds promote ESG characteristics and consider sustainability risks through the integration of the extra-financial criteria defined in point 3.1.2., on a perimeter of 100% of the companies in the portfolio.

These two funds were labeled in 2020 by the *Label Relance.*

**Gay-Lussac Microcaps** is an equity fund invested in European companies with a stock market capital of less than €300 million at the initiation. The management objective is to obtain, over a minimum investment horizon of 5 years, an annualized return of more than 7% while limiting volatility. Its benchmark is the **MSCI Europe Micro-Caps Net TR.**

**Gay-Lussac Smallcaps** is an equity fund invested in companies in the Euro Zone with a market capitalization of between €300 million and €2 billion at the time of initiation. The management objective is to obtain, over an investment horizon of at least 5 years, a recurrence of performance while limiting market declines (drawdowns). Its benchmark is the **CAC Small NR.**

Dominant and complementary strategy :

- Dominant : Best in class
- Complementary: Exclusion

Main asset class: Equities from European Union countries

Exclusions applied by the funds :

- Weapons (chemical/biological/depleted uranium weapons)
- Coal
- Tobacco (income equal to or greater than 10%)
- Cannabis
- Pornography-related activities
- Manufacture/storage/services for anti-personnel mines and cluster bombs in accordance with the Ottawa and Oslo conventions.

## Gay-Lussac Europe Flex fund (Art. 8 SFDR)

Gay-Lussac Europe Flex is a flexible fund whose objective is to seek - through a discretionary asset allocation, a selection of about fifty securities and a strict control of risks - an annualised performance of more than 5%, over a minimum investment horizon of 5 years, while promoting ESG characteristics.
The fund considers sustainability risks through the integration of extra-financial criteria as defined in article 8 of the regulation (EU) 2019/2088, the so-called SDFR regulation.
Gay-Lussac Europe Flex is mainly invested in equities of all types of market capitalisation in European Union and OECD countries. The particularity of this fund is the flexible allocation of its equity portfolio, which can be invested from 0 to 100%.
Gay-Lussac Europe Flex received the Refinitiv Lipper Fund Awardⓒ France 2021 for the best fund over 3 years in the category "Mixed Asset EUR Flex - Europe".

Dominant and complementary strategy:

- Dominant: Best in class
- Complementary: Exclusion

Main asset class: Equities from European Union countries

Exclusions applied by the funds :

- Weapons (chemical/biological/depleted uranium weapons)
- Coal
- Tobacco (income equal to or greater than 10%)
- Cannabis
- Pornography-related activities
- Manufacture/storage/services for anti-personnel mines and cluster bombs in accordance with the Ottawa and Oslo conventions.

## RJ Funds Smicrocaps fund sub-fund(Alignement Art. 8 SFDR)

The RJ Funds – Gay-Lussac Smicrocaps fund is part of the Luxembourg SICAV of Gay-Lussac Gestion and is intended to be an Article 8 product according to SFDR regulations. Thus, this fund promotes ESG characteristics, and considers sustainability risks through the integration of the extra-financial criteria defined in point 3.1.2., for 100% of the companies in the portfolio.

Dominant and complementary strategy:
- Dominant: Best in class
- Complementary: Exclusion

Main asset class: Equities from European Union countries
Exclusions applied by the funds :
- Weapons (chemical/biological/depleted uranium weapons)
- Coal
- Tobacco (income equal to or greater than 10%)
- Cannabis
- Pornography-related activities
- Manufacture/storage/services for anti-personnel mines and cluster bombs in accordance with the Ottawa and Oslo conventions.

## The RJ Eagle US Smallcap fund (Alignement Art. 8 SFDR)

Raymond James Funds Eagle US Smallcaps Strategy is a Small Caps equity fund invested in companies domiciled in the United States. The investment objective is to seek a long-term capital appreciation. The investment process takes into account environmental, social and governance (ESG) factors for 100% of the portfolio companies by selecting companies with a dynamic approach to environmental stewardship, excellent corporate governance practices, and that take seriously their role in social responsibility, within the meaning of Article 8 of the SFDR Regulation.

## The Corporate Saving Funds Gay-Lussac Interentreprises and Gay-Lussac Actions Responsabilité Sociale (Art. 8 SFDR)

These funds propose a social theme with the objective of responding to the challenges of social integration and job creation.
Indeed, invested between 5 and 10% in "France Active Investissement", these funds guarantee through this strategy the solidarity financing of job creation projects.
France Active Investissement (formerly SIFA) is the leading solidarity investment company in France. Its objective is to strengthen the equity capital of solidarity companies and associations of social utility to create jobs.

## The SRI Management Mandate

Gay-Lussac Gestion has developed a SRI management mandate that meets the requirements of article 8 of the SFDR Regulation and offers private clients a portfolio that takes into account extra-financial criteria (ESG) and the sustainability risks of investments.

The investment strategy of the mandate is based on a Best in Class SRI management focused on sectorial materiality, favoring responsible investments, whatever the asset class, through companies distinguished by their good governance, and promoting social and environmental characteristics.

In addition, a strategy of exclusion is also applied to certain sectors such as coal, arms or tobacco; as well as companies with very severe controversies and those that do not respect the main international principles and standards.

## Fund communication channels

To obtain more information on the funds, the purchasers have several means at their disposal:

All information documents concerning the funds are present on our website *https://www.gaylussacgestion.com*, in order to ensure full transparency with stakeholders and investors, and for each fund:

1. The KIID, updated with each major change
2. The Prospectus, updated with each major change
3. The Commercial Brochure, updated frequently
4. Monthly Reporting for the last 6 months
5. Annual and semi-annual extra-financial reporting

In addition, our "Customer Service Relations / Business Development / Marketing" division is a direct and available contact to answer the slightest questions from investors.


**Adrien BLUM**

Managing Director, Partner
Head of Strategy & Development

adrien.blum@gaylussacgestion.com
+33 (0)1 45 61 67 54
+33 (0)6 82 99 97 85



**Victoria BLEY**

Institutional Client Services

victoria.bley@gaylussacgestion.com
+33 (0)1 45 61 67 58
+33 (0)6 15 06 17 47



**Sixtine LEBEAU**

Institutional Client Services

sixtine.lebeau@gaylussacgestion.com
+33 (0)1 45 64 05 64
+33 (0)7 70 31 61 79

# 5) The ressources commited to the SRI strategy

## Internal and external means employed

### Internal Means

**Management Team**

The management team includes two UCITS managers - all SFAF/CIIA graduates; each fund under French law (UCITS) of Gay-Lussac Gestion is managed by these two managers.

The Investment Department is headed by Mr. Louis de FELS, Director of Collective Management. In this capacity, he is in charge of the implementation of the investment strategy according to the themes selected during the Gay-Lussac Management Macroeconomic Committee; he also manages the weekly management meetings (UCITS Collective Management) and has a good knowledge of SRI and ESG themes.

Mr. Hugo VOILLAUME, co-manager of UCITS assists him in his daily tasks and contributes to the development of the company's ESG strategy.

**Team of financial analysts and SRI**

The four financial analysts together cover their research in a multi-sector manner. Each one analyses the market daily in order to be able to select the best stocks in line with Gay-Lussac Gestion's management process and investment methodology and philosophy.

One extra-financial analyst is dedicated to the implementation of the SRI strategy and to the ESG analysis at 1 FTE.

Low volatility, low beta and good momentum stocks are favoured.

Each of them is a 0.3 FTE (Full Time Equivalent) SRI analyst. Thus, SRI analysis represents 2.8 FTEs overall, including the financial analysts, the extra-financial analyst and the two managers.

<u>Articulation of SRI analysis</u>

- Analyze extra-financial data of our positions,
- Improve the extra-financial analysis process of our portfolios,
- Revision of our internal ESG rating system,
- ESG data monitoring mechanism for portfolio companies
- Follow-up of the controversies of the companies in portfolio but also in Watch List,
- Application of the sectoral exclusion policy specific to our ESG policy and our commitments,
- Development of measurement indicators specific to the environmental impact of the portfolio.

<u>Extra-financial research carried out by internal means is based on:</u>

- Documentation provided on the website of the issuing companies (DPEF, Annual Report, Universal Registration Document...)
  Direct contact with the management of the issuing companies (direct contact necessary micro and small caps, because their extra-financial data are not always available).

**Compliance Team**

Upon arrival, employees undergo mandatory regulatory training, including the following topics:

✓ Fight against money laundering / financing of terrorism / corruption,
✓ Fight against market abuse,
✓ Presentation of key regulatory issues.

Employees also receive training on legislative developments on a regular basis. Finally, the Compliance department carries out any reminders on sensitive regulatory topics or recent / future regulatory developments.

**Sales team & reporting**

The Marketing & Sales department of Gay-Lussac Gestion includes 5 people with the following positions:

✓ The commercial development > marketing is provided by Mr. Adrien BLUM, Director of Development;
✓ Marketing & Communication ;
✓ Customer relations & business development.

<u>As part of the communication and services to investors, the Gay-Lussac Gestion marketing and sales team offers:</u>

✓ Personalized reporting - transparency files of FCP portfolios sent on a monthly basis.
✓ Monthly factsheets with comments from the management team and risk and performance analyses of its mutual funds (FCPs);
✓ Additional information - Press review / media presence of Gay-Lussac Managers and Experts Management, specific studies etc. - with free access via the Gay-Lussac Gestion website and social networks;
✓ Quick access to the expertise of management teams – through conference calls, tailor-made presentations and ad hoc comments, investor visits (when sanitary conditions allow), periodic conferences and other events organized by Gay-Lussac Gestion on topics of interest to investors.

The current objective is not to strengthen the internal means employed, whether at the level of management, communication, development, or marketing. Gay-Lussac Gestion is open to reviewing this aspect ad-hocly according to the needs of the company.

## External means

Brokers / Data Providers :

- MSCI ESG Research
- Bloomberg
- Kepler Chevreux
- Société Générale
- Crédit Industriel et Commercial
- M.M. Warburg & Co (AG & Co.) Kommanditgesllschaf Auf Aktien
- Société de Bourse Gilbert Dupont
- Portzamparc
- Bryan Garnier Securities
- Oddo BHF SCA
- Bank Degroof Petercam SA
- Banca Akros SPA
- Nordea Bank Abp
- Stifel Europe Bank AG
- Carnegie Investment Bank AB
- Louis Capital Markets

# Committees dedicated to SRI

## ESG Rating Committee

The ESG Rating Committee meets monthly and is chaired by the ESG Manager. It verifies that the ESG policy is respected and confirms the voting policy.

### ESG Voting Committee

The ESG Voting Committee is chaired by the ESG Manager. Its role is to review and validate Gay-Lussac Gestion's commitments and exercise of voting rights, and to ensure their consistency with key ESG engagement themes.

Our engagement policy ensures that the issuing companies in which we are invested are managed transparently and not against the interests of minority shareholders.

### ESG Analyst Committee

The role of the ESG analyst committee is to analyze the extra-financial data of positions, to develop the process of extra-financial analysis of our portfolios and to concretize labeling processes, for the *Gay-Lussac Green Impact* fund.

The mission of extra-financial analysis and methodology development is carried out by our financial analysts in-house, up to 0.3 FTEs (Full-Time Equivalent) each.

### Social Impact Committee

The Social Impact Committee meets every two months and specializes in the implementation and implementation of SRI action plans with a specifically social theme, unlike the ESG Committee which focuses on the development and implementation of the more general ESG strategy within the company. In this way, we are working, among other things, on the development and marketing of our FCPE **Gay-Lussac Actions Social Responsibility fund,** with the objective of participating in the financing of the solidarity economy through the voluntary integration of social concerns into its investments. In addition, this committee allowed the labeling of Microcaps, Smallcaps, and Smicrocaps funds to the **Label Relance,** recognizing the funds providing their support in the recovery of the French economy (ETI and SMEs).

## Transparency of ESG analysis

#### Procedure for external control/verification of ESG analysis methodology

To achieve our certification, we will use a specialized audit company to carry out an external control and verification procedure of our ESG analysis methodology.

#### Dialogue with stakeholders

As part of our shareholder engagement policy, Gay-Lussac Gestion can communicate with various relevant stakeholders. These include:

- Financial management bodies and regulators (French Management Association, Autorité des Marchés Financiers, etc.),
- Sell-side financial analysts and, in the broadest sense, brokers,
- Media,
- Investors (potential and current),
- Data providers, both financial and non-financial,
- Associations and NGOs.

In addition, regarding extra-financial data, Gay-Lussac Gestion is often required to have direct contact with issuing companies, in particular Micro and Small Caps, because their extra-financial data are not always available. Otherwise, we retrieve this information by default from the Bloomberg database, or directly from their annual universal report or DPEF.

#### Access to ESG analysis by issuers

Issuers may have access to their ESG rating corresponding to our internal rating system, subject to an ad hoc and proactive application process on their part.

### Sharing information with investors

One mode of communication used by managers is monthly reporting; in this document they add a link between the extra-financial objectives of the fund and the commitment made, where relevant.

Our overall ESG rating and the quantifiable results of our various selected non-financial indicators are also present in our monthly non-financial reporting.

In addition, let's present to investors our detailed analysis methodology, available in this ESG Policy report.

# 6) The policy of shareholder engagement

Gay-Lussac Gestion's shareholder engagement policy is broken down into a voting policy and an engagement policy.

## The engagement policy

The engagement policy described by Article R.533-16 §I (pursuant to Art. L.533-22) has 6 elements including the voting policy (which had already been implemented by management companies based on the old regulations):

1. Monitoring of strategy, financial and non-financial performance, risks, capital structure, social and environmental impact and corporate governance;
2. Dialogue with owned companies;
3. The exercise of voting rights and other rights attached to the shares; (AFG note: limited to shares held by mandates, and funds listed above)
4. Cooperation with other shareholders;
5. Communication with relevant stakeholders;
6. The prevention and management of actual or potential conflicts of interest in relation to their commitment.

Gay-Lussac Gestion undertakes to exercise its responsibility as a shareholder in the interest of the holder. In addition to the financial analysis, the management team ensures that ESG criteria are considered for investors.

Through its regular dialogue with issuers, Gay-Lussac Gestion encourages them to publicly report on their strategy. Gay-Lussac Gestion always encourages the transparency of issuers. As such, Gay-Lussac Gestion can invite them to clarify any controversy, any malfunction or element misunderstood by the financial community.

## The voting policy

The voting policy is an important element of the dialogue with issuers. It promotes the dissemination of best practices in governance and professional ethics.

Gay-Lussac Gestion considers that the exercise of voting rights is an integral part of its management and must be exercised in the best interests of shareholders.

Gay-Lussac Gestion's voting rights policy aims to promote the long-term value of UCITS' investments. It encourages the dissemination of best practices in governance and professional ethics.

The persons authorized to exercise the right to vote at the general meetings of issuers are the directors of Gay-Lussac Gestion, the managers of Gay-Lussac Gestion, as well as the analysts of Gay-Lussac Gestion after authorization of the directors or managers of Gay-Lussac Gestion.

Gay-Lussac Gestion relies on the "Recommendations on Corporate Government" of the French Management Association as well as on the Afep-Medef code to determine the direction of its votes at the general meetings of issuers.

In accordance with the Code of Ethics, fund managers shall exercise their functions independently, regarding issuers in particular, and in the exclusive interest of investors.

Managers are notably sensitive to resolutions that could be detrimental to the interests of shareholders.

As a balance sheet, in 2019, our voting policy applied to 37.7% of our outstanding on Corporate Savings Funds or 9.7% of total assets under management at the end of 2019.

**The full shareholder engagement policy** is available on the Gay-Lussac Gestion website: https://www.gaylussacgestion.com/wp-content/uploads/2021/02/Gay-Lussac-Politique-dengagement-actionnarial.pdf

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