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.

Product name: La Française Obligations Carbon Impact

Legal entity identifier: 969500ARZFRC8FM5QP57

Sustainable investment objective

Does this financial product have a sustainable investment objective?

☒ **Yes**	☐ **No**
☒ It will make a minimum of **sustainable investments with an environmental objective**: 80.0%	☐ It **promotes environmental and social (E/S) characteristics** and while it does not have as its objective sustainable investment, it will have a minimum proportion of N/A of sustainable investments
☐ in economic activities that qualify as environmentally sustainable under the EU Taxonomy	☐ with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy
☒ in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy	☐ with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy
☐ it will make a minimum of **sustainable investments with a social objective**: 0.0%	☐ with a social objective
	☐ It promotes E/S characteristics, but **will not** make sustainable investments

The **EU Taxonomy** is a classification system laid down in Regulation (EU) 2020/8 52, 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.

What is the sustainable investment objective of this financial product?

The Fund is committed to having a portfolio carbon footprint per euro invested (scopes 1 and 2 on enterprise value) at least 50% lower than a comparable investment universe represented by the benchmark.

The environmental objectives to which the sustainable investment underlying the financial product contributes are:

- climate change mitigation and
- pollution prevention and control.

The measurable sustainable investment objective is to have a weighted average of the portfolio's greenhouse gas emissions per euro invested (scopes 1 and 2) at least 50% lower than the comparable investment universe represented by the Bloomberg Euro Aggregate Corporate coupons reinvested (LECPTREU) benchmark. As such, it is a traditional index. However, the 50% reduction target compares to the EU reduction level set for the Paris Aligned Benchmarks.

The **sustainability indicators** measure how the sustainability objectives of this financial product are met.

What are the sustainability indicators used to measure the achievement of the sustainable investment objective of this financial product?

The sustainability indicators used to measure the achievement of the sustainable investment objective are carbon footprint, carbon emissions and SRI label indicators.

To what extent do sustainable investments not cause significant harm to an environmentally or socially sustainable investment objective?

To verify that sustainable investments do not cause significant harm to a sustainable investment objective at the E or S level, the management company applies:
- a relevant selection of the principal adverse impacts;
- La Française Group exclusion policy;
- the management of contentious issues; and
- La Française Group voting policy.

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

All the PAI indicators in table 1 of Annex 1 of the RTS are calculated. The indicators for adverse impacts have been taken into account by the external data provider ISS. The LFAM management company applies the indicators provided by the data provider in relation to adverse impacts.

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

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

We include the OECD and UN guiding principles in our fundamental ESG analysis, including our exclusions of major contentious issues relating to the UN Global Compact. The selection of the principal adverse impacts, also used to assess the DNSH, includes a test of compliance "with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights" provided by our subscription to the ISS data platform (UNGCOECD Guidelines Violation).

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

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

☐ No

What is the investment strategy of this financial product?

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

The sub-fund's initial investment universe is constructed from a portfolio of bonds issued by public issuers that are members of the JP Morgan Hedged Eur Unit GBI Global index (JHUCGBIG Index) and by private issuers that belong to the following indices

Bloomberg Euro Aggregate Total Return (LECPTREU Index), Ice Global BB EUR (HE1O Index) and Markit Iboxx EUR Contingent Convertibles (IBXXC2CO Index). The securities are selected mainly within these universes; they may also be selected, outside these universes, within the limit of 10% of the investment universes provided that these securities have an ESG score above the exclusion threshold in force for the universes and meet the investment criteria of the sub-fund detailed below.

The sub-fund's investment criteria detailed below are analysed by La Française Sustainable Investment Research (hereinafter "ESG Research Team") of the entity "La Française Group UK Limited" which specialises in the responsible investment criteria. It is specified that there is a risk of conflicts of interest relating to the provision of ESG scores with the "La Française Sustainable Investment Research" research centre of the "La Française Group UK Limited" entity belonging to the La Française Group. In order to manage this situation, the management company has put in place and updates a conflict of interest management policy with the aim of identifying and analysing potential conflict of interest situations as well as recording, managing and monitoring situations in which there is a conflict of interest. In addition, the provision of ESG scores is paid for in full by the management company.

The investment process is carried out according to a dual approach: ESG integration with a significant commitment to management and the topic at hand, and includes the following steps:

Stage 1: Quantitative filtering – Selectivity approach

The ESG score of private issuers is structured as follows:

1. Periodic update of raw data from different sources
2. Calculation of performance indicators (KPIs, at least 30)
3. When aggregated and supplemented with recent information collected and deemed relevant by the ESG Research Team, they produce scores in three areas (environmental sustainability, human capital and organisational capital);
4. Calculation of weightings for these three areas, which may differ by sector
5. Calculation of the ESG score, on the basis of the three areas and specific sector weightings

For example, the criteria used to analyse issuers are:

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

The ESG score of public issuers is structured as follows:

• Periodic update of raw data from different sources;
• Calculation of key performance indicators;
• Calculation of the ESG score, on the basis of the three pillars and equal weightings.

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

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

Once the rating process is complete, each issuer is assigned a score from zero (worst) to 10 (best). These scores reflect investment opportunities or, conversely, extra-financial risks.

This first step of the analysis identifies issuers to be ruled out solely due to ESG criteria.

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

- issuers involved in controversial weapons; and
- companies located in countries on the blacklist of the La Française group. Those located in countries on the red list require approval, on a case-by-case basis, from the LFAM Compliance department.

Next, the 20% of private issuers and 20% of public issuers with the lowest ESG scores in the initial investment universe are excluded. All of these excluded issuers make up the ESG exclusion list. This latter is established on a monthly basis for private issuers and annually for public issuers. It determines a minimum ESG score threshold below which the fund may not invest. Issuers whose ESG score falls below the exclusion threshold cannot be part of the investable universe.

Stage 2: Carbon and financial analyses

In the second stage of the process, a carbon analysis and an analysis of the credit quality of the issuers that passed through the filter in stage 1 is carried out. After having reduced the universe on the basis of a credit analysis, a "carbon" analysis is carried out based on analysis criteria relating to climate change. These criteria exist at various levels, such as the historical performance of carbon emissions (based on Scope 1 – direct emissions, and Scope 2 – indirect emissions; for certain sectors, the share of emissions relating to Scope 3, which is not considered here, can account for a large share of total emissions), governance and climate risk management, and the strategy implemented by the company to participate in the transition.

In order to measure companies' performance against these criteria, we use data obtained by our ESG research team from specialist data providers (e.g. carbon data for companies that is collected by CDP). A "carbon impact" score is awarded as a result of this analysis.

For issuers in the low-carbon financial sector (carbon intensity defined as carbon emissions divided by enterprise value), a qualitative analysis is performed in addition to the assigned carbon impact score.

For highly carbon-intensive sectors such as electricity generation and distribution, the petroleum sector, the automotive industry and materials, a qualitative analysis of the company's future carbon performance is carried out in addition to the assigned "carbon impact" score. This analysis corresponds to a "trajectory" calculation of the issuer's carbon emissions that we match with sectoral decarbonisation trajectories (as defined by the International Energy Agency). During this qualitative analysis, ESG analysts and the management team will estimate the ability of a company to meet its decarbonisation objectives in the face of current investments, past performance and the transformation of their portfolio of products sold. For example, for the Utilities sector, this takes the form of a carbon intensity based on the tonnes of CO2eq generated per MWh of electricity produced, reflecting the development of the production capacity in renewable energy compared to current capacity. Companies in the various sectors are then qualified, according to the Management Company's methodology, subject to the limitations specified above by: i) low carbon, ii) in transition according to the sectoral decarbonisation trajectory, iii) in transition but efforts required (in which the Management Company plays no active role) and iv) lagging in terms of the assigned "carbon impact" score.

No investment will be made in companies qualified as late arrivals. The qualification of the companies results from a quantitative and qualitative analysis process – for some of them – and from an annual review of the files between the management and the ESG research team.

The files are also reviewed when the company's strategy is updated or a major change occurs, in order to re-analyse the investment case. Thus, if, during a review, a company is qualified as lagging, the Management Company will sell the securities within a reasonable time, regardless of the price level of the security at the time of the transfer. This transfer can impact the financial performance of the fund.

The sub-fund may also invest in green bonds where the impact of the environmental projects financed is measurable.

The proportion of green bonds in the sub-fund will depend on market trends and the size of the target market. These green bonds must also respect the four key “Green Bond Principles”, namely: the use of funds, the project selection and evaluation process, the fund management and the reporting principles. The analysis of green bonds is carried out along three axes and in addition to the steps described above, namely:

1. Adherence to the four pillars of the “Green Bond Principles”

• Use of funds: the funds are to be used to finance or refinance green projects in line with the taxonomy defined by the GBPs and with the new European taxonomy;

• The project selection and evaluation process: precise selection and description of projects financed by the green bond, governance put in place around the selection, definition of environmental objectives and impact measurements linked to these projects.

• Fund management: detail of funds allocated by project, ability to monitor funds used with a rigorous process

• Transparency and reporting: the issuer must communicate at least annually and transparently on 2 points: the allocation of funds (funds allocated and activities financed) and the impact of the projects, i.e. the direct contribution to the environment such as the reduction of carbon emissions (impact report, objectives)

2. The issuer's energy transition strategy and status

• A cross-analysis is carried out with the fundamental analysis of the issuer described previously.

3. Analysis and measurement of the impact of funded projects

• special attention is paid to the choice of funded projects and their consistency with the issuer's more global energy transition strategy.

Green bond issuers will be subject to the same financial and extra-financial analyzes and must pass the exclusion phase (step 1) and the financial and carbon analysis phase (step 2). Additional information on the management company's extra-financial analysis, including ESG criteria and the carbon analysis, is presented in the transparency code available on the La Française website, www.la-francaise.com.

Stage 3: Measurement of the carbon footprint

The objective of reducing the portfolio's carbon footprint by at least 50% compared to the carbon benchmark is monitored as follows:
- Carbon emissions in tonnes of CO2eq per invested euro are based on Scope 1 – direct emissions and Scope 2 – indirect emissions (note that for some sectors, the share of Scope 3 emissions is not taken into account here, but can account for a large share of total emissions), relative to the size of the enterprise (company value).
This data is retrieved from the CDP database and in the event that a company does not provide it to CDP, a proprietary model for estimating emissions by industry and firm size is used. These footprints are then weighted by the weights in the portfolio. The share of issuers analysed under the ESG criteria in the portfolio is greater than 90%. The methodology adopted by the management company for taking into account extra-financial criteria has a weakness relating to the quality of the information collected by the ESG Research Team as well as the transparency of the various issuers.
The objective of the sub-fund is sustainable investment within the meaning of Article 9 of the EU Sustainable Finance Disclosure Regulation (EU) 2019/2088 (SFDR).
Additional information on the management company's non-financial analysis, including ESG criteria, is presented in the La Française Group transparency code and engagement policies, available on the La Française website at www.la-francaise.com.

What are the restrictions defined in the investment strategy used to select investments to achieve the sustainable investment objective?

The binding elements of the investment strategy used to select investments to attain the sustainable investment objective are:
- exclusions arising from the exclusion policy of the La Française Group;
- the principle of selectivity of 20% in addition to the companies in the universe not covered
- the 10% investment restriction for companies outside the investment universe (if ESG eligible)
- corporate sustainability analysis
- the Carbon Impact fundamental analysis and the exclusions linked to the rate of lagging behind
- the 50% footprint reduction target and
- the 80% sustainable investment ratio.

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

Good governance practices relate to sound management structures, staff relations, staff remuneration and compliance with tax obligations

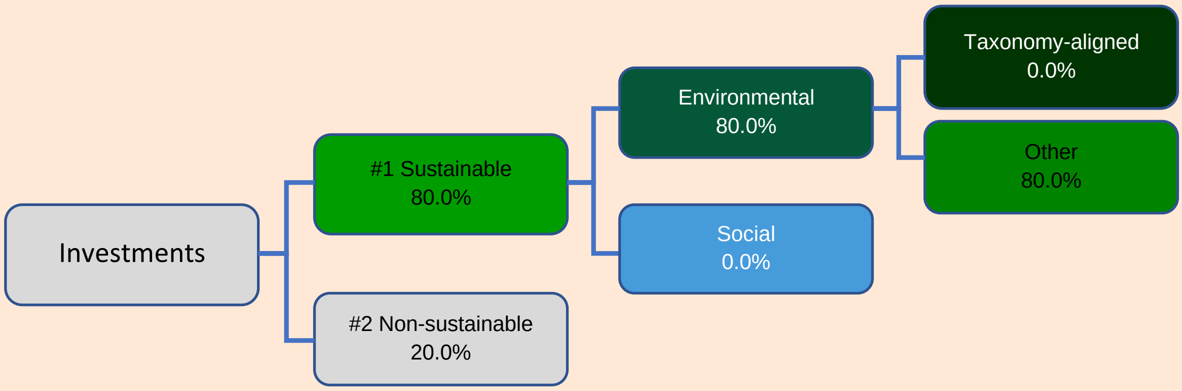
What is the policy to assess good governance practices of the companies in which the financial product invests?

Good governance practices are assessed through our "G" pillar, in which the composition, independence and diversity of the board, risk management processes and controversies are analysed.
For contentious issues, the Stewardship Committee reviews new company-related NBR 7 to 10 contentious issues on a quarterly basis where a Governance Board decides on the eligibility or exclusion of issuers based on the remediation of the contentious issues.
For sovereign states, good governance practices are assessed in six areas: the effectiveness of governance, control of corruption, the place and consideration of human rights, the rule of law, political stability and regulatory quality.

What is the asset allocation and the minimum share of sustainable investments?

Asset allocation describes the share of investments in specific assets.

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



The **#1 Sustainable** category covers sustainable investments with environmental or social objectives.
The **#2 Non-sustainable** category includes investments that are not considered sustainable investments.

Taxonomy-aligned activities are expressed as a percentage:

- **turnover** reflecting the share of revenue from the green activities of companies in which the financial product invests;
- **capital expenditure** (CapEx) showing the green investments made by the companies in which the company invests, e.g. for a transition to a green economy;
- **operational expenditures** (OpEx) reflecting green operational activities of the companies in which the financial product invests.

How does the use of derivatives achieve the sustainable investment objective?

The Fund may hedge and/or expose the portfolio via derivatives in order to adjust the portfolio's exposure or during specific periods of fluctuation.
The derivative instruments, which can be looked through, are not subject to the same extra-financial analysis process as the securities described in the investment strategy. Derivative instruments, which cannot be looked through, are, for example, swaps on monetary rates such as Ester, or currency derivatives.

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

La Française Group auditors carry out a review of the processes, sources and results of the sustainable policy applied to financial products.
The current state of the economy does not reflect 100% of the activities aligned with the taxonomy, as our economy is in transition. Most companies have activities aligned with the taxonomy and other activities not aligned with it. In addition, the taxonomy is mainly aimed at highly polluting activities. Some sectors of the economy are not directly involved. However, through our ESG analysis, we capture the stage and status of a company's transition to sustainability.
Additionally, our carbon impact analysis measures the level of ambition of companies' emission reduction targets. We use a forward-looking approach to assess the compatibility of the companies' intended emissions trajectory with the IEA reference scenarios for the most polluting sectors.
The management company has also developed its own framework for ESG analysis and climate change adaptation and mitigation for sovereign states.
Alignment with sustainable activities is assessed through the percentage share of income.
Only the declared share of income is relayed. "Estimated" revenue percentages are not shared.

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

☐ Yes

☐ In fossil fuel ☐ In nuclear energy

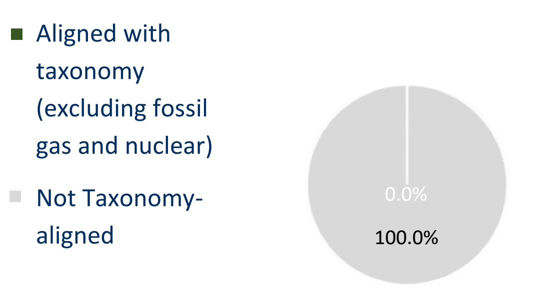
☒ No

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

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

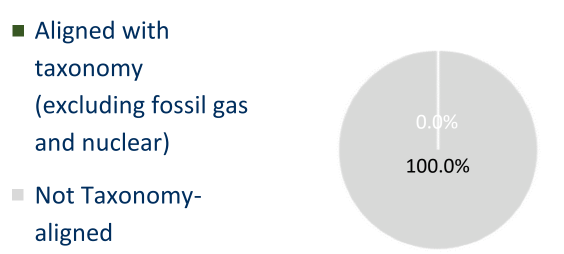
The two graphs below show in green the minimum percentage of investments aligned with the EU Taxonomy. As there is no appropriate methodology for determining the Taxonomy alignment of sovereign bonds*, the first graph shows the Taxonomy alignment with respect to all financial product investments, including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

1. Taxonomy-alignment of investments **including sovereign bonds ***



2. Taxonomy-alignment of investments

not including sovereign bonds



This graph represents 90.0% of total investments.

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

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

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

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

The minimum share of sustainable investments with an environmental objective that are not aligned with Taxonomy is 80%.

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

What is the minimum share of sustainable investments with a social objective?

The minimum share of socially sustainable investment is 0%.

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

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

Is a specific index designated as the benchmark for determining whether the sustainable investment objective has been attained?

The specific indices designated are JP Morgan Hedged Eur Unit GBI Global (JHUCGBIG Index), Bloomberg Euro Aggregate Total Return (LECPTREU Index), Ice Global BB EUR (HE1O Index) and Markit Iboxx EUR Contingent Convertibles (IBXXC2CO Index).

Reference benchmarks are indexes to measure whether the financial product attains the sustainable investment objectives.

How does the benchmark take into account sustainability factors in order to be consistently aligned with the sustainable investment objective?

The benchmark is used to define the investment universe. The index is not specifically constructed to promote environmental or social characteristics.

How can you ensure that the investment strategy is aligned with the methodology of the index on a continuous basis?

This strategy is active, not passive, so we do not guarantee alignment with the index methodology

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

This composite of market indices is traditional and representative of the profile of the strategy.

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

The methodology of index construction is the responsibility of the index provider.

Where can I find more product-specific information online?

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