

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

The **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.

Product name: La Française Credit Innovation

Legal entity identifier:
969500XH34X6TU053D26

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%

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

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

☐ it will make a minimum of **sustainable investments with a social objective**: 0.0%

☐ 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

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

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

☐ with a social objective

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



What is the sustainable investment objective of this financial product?

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

The fund is committed to making a positive contribution to the Sustainable Development Goals (SDGs) up to a minimum of 60% of the net assets of the sub-fund.

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

- climate change mitigation and
- pollution prevention and control.

This fund does not have a carbon reduction target.

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 the alignment and impact of the products and services of the companies in which the financial product is invested, the carbon intensity and the percentage of women on the Board of Directors.

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?

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.

The indicators for adverse impacts have been taken into account by the external data provider ISS.

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.

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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 investment strategy of the sub-fund is to take advantage of the dynamics created by themes and issues of the future which are:

- climate change;
- technological innovation;
- urbanisation;
- population growth.

These themes may change as new trends emerge and are determined at the discretion of the management team. These themes are not linked to sectors of activity but rather to the profiles of products and services sold by companies.

The management company uses the “La Française Sustainable Investment Research” centre of the “La Française Group UK Limited” entity, specialised in responsible investment criteria. It is specified that there is a risk of conflicts of interest relating to the provision of ESG scores with the “La Française Sustainable Investment Research” research centre of the “La Française Group UK Limited” entity belonging to the La Française Group. In order to manage this situation, the management company has put in place and updates a conflict of interest management policy with the aim of identifying and analysing potential conflict of interest situations as well as recording, managing and monitoring situations in which there is a conflict of interest. Furthermore, the provision of ESG scores is fully paid for by the management company, and the holders of the funds concerned by this service are informed through the prospectuses and annual reports.

The strategy of the fund is to invest in issuers whose rating is likely to improve (capture improvements in the risk premium). It consists of the discretionary management of a portfolio of bonds issued by private entities. The management of the fund relies primarily on the management team’s in-depth knowledge of the balance sheets of the selected companies.

To fulfil the management objective, the portfolio is invested up to 100% of the net assets in fixed or floating rate bonds, other negotiable debt securities and money market instruments (Treasury bills, commercial paper, certificates of deposit) from all sectors. The initial investment universe is constructed from issuers belonging to the BofAML Global High Yield Index (HW00 Index). Securities are selected mainly from this universe; they may also be selected from outside the universe, from European and international markets, including emerging markets, up to a limit of 10% of the investment universe, provided that these securities have an ESG score higher than the exclusion threshold in force for the universe and meet the investment criteria of the sub-fund.

These issuers are analysed by La Française Sustainable Investment Research with an ESG integration approach and with a significant commitment in terms of management. Issuers are subject to the same requirements regardless of whether or not they belong to the index.

The ESG score of private issuers is structured as follows:

- Periodic update of raw data from different sources;
- Calculation of key performance indicators;
- Aggregated and supplemented with recent information collected and deemed relevant by the ESG Research Team, they result in the calculation of scores in three pillars (environmental sustainability, human capital and organisational capital);
- Calculation of the ESG score, on the basis of the three areas and specific sector weightings.

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

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

At the end of this process, each issuer is given a score from zero (worst) to 10 (best).

This score reflects the investment opportunities or, on the contrary, the extra-financial risks. The proportion of issuers analysed under these ESG criteria in the portfolio exceeds 90% of the securities in the portfolio, excluding cash.

The first step of the extra-financial analysis consists of identifying the issuers to be excluded beforehand by virtue of the exclusion policy of La Française Group, available on the website www.la-francaise.com.

The second step is to remove 20% of the issuers with the lowest ESG scores from the initial investment universe covered.

All of these excluded issuers make up the ESG exclusion list. This list is established on a monthly basis for private issuers and 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.

Therefore, in the third step of the extra-financial analysis, the management company analyses the company profiles after narrowing the investment universe and determines whether their products and services fit into one of the themes.

The result of this discretionary analysis determines whether an issuer is assigned to one or none of these themes.

The SDGs identified in relation to our investment themes are the following:

- health and well-being (SDG 3 - lower inequality through improved access to health);
- quality education (SDG 4 - lower inequality through improved access to education);
- clean and affordable energy (SDG 7 - green energy and sustainable energy use);
- sustainable cities and communities (SDG 11 - promote sustainable cities and buildings);
- combatting climate change (SDG 13 - mitigating climate change).

Even though these SDGs are directly related to the investment themes, the management company does not ignore the positive and negative contributions to the other 12 SDGs. To do this, the Management Company uses two methodologies, the combination of which ensures that a greater number of companies are covered by an SDG score. These two methodologies are described below:

- A methodology which calculates the percentage of a company's turnover generated by products and services with a positive, neutral or negative impact. These percentages are then added together at global level to arrive at a score scale that reflects the positioning of a company's contribution to the 17 SDGs (ranging from significant obstruction, limited obstruction, no net impact, limited contribution to significant contribution).

This results in a score for each company ranging from -10 to +10. A company with a contribution strictly greater than 0 is considered to have a positive impact, one with a score of 0 is considered to have a neutral impact and one with a score below 0 is considered to have a negative impact. The conversion of turnover into a score is based on rules linked to a detailed and defined taxonomy for each of the sustainability objectives (the taxonomy used can be found in our Transparency Code);

- A methodology that uses collective intelligence to assess the impact of a company's products and services. This approach is therefore broader than financial flows, which are not exhaustive in assessing the impact. This methodology uses a network of analysts to assess a company's products and services against the impact issues identified for those activities or sectors. The accumulation of independent analyses will determine the overall negative, neutral or positive impact of the company's products and services through an SDG score.

The score for each company can range from -5 to +5. A company with a contribution strictly greater than 0.5 is considered to have a positive impact, one with a score between [-0.5; +0.5] is considered to have a neutral impact and a company with a score below -0.5 is considered to have a negative impact.

In the event that a company obtains two scores following the application of the two methodologies, the management company will use the higher of the two scores.

As these major economic issues are at the heart of the following sustainable development objectives, the management company undertakes to invest at least 60% of the net assets of the sub-fund in issuers making a positive contribution to the sustainable development goals (SDGs).

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).

The methodology adopted by the management company for taking into account non-financial criteria may have a limitation related to the analyses carried out by the ESG Research Team. These analyses are dependent on the quality of the information collected and the transparency of the issuers. 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;
- SDG fundamental analysis
- the objective of investing in companies with positive SDG scores for at least 60% of the portfolio and
- the 100% sustainable investment ratio.

This strategy is monitored daily through first, second and third level controls.

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.

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



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

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

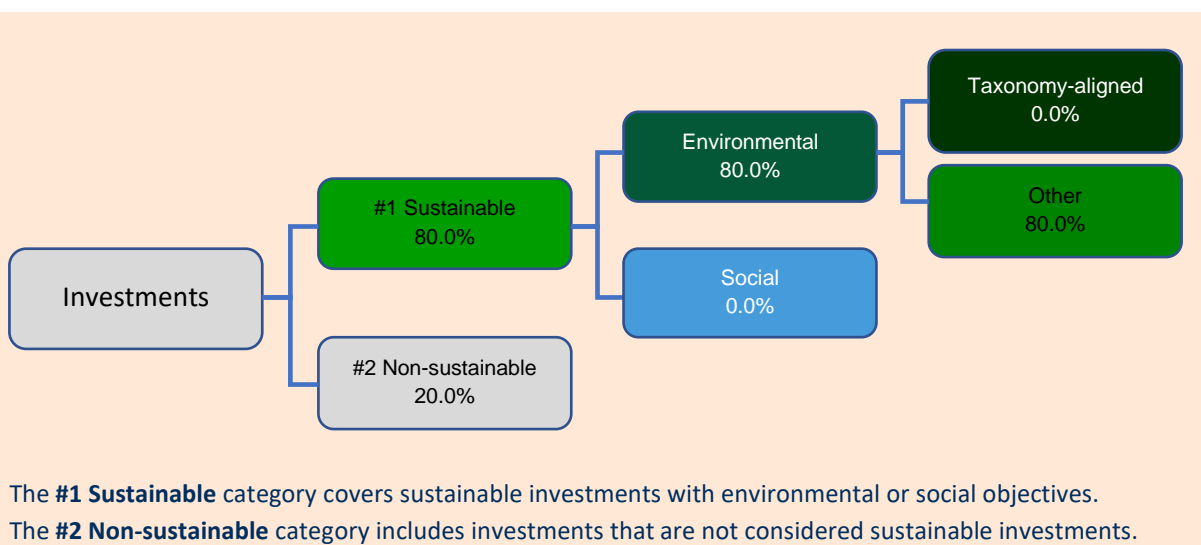
Asset allocation describes the share of investments in specific assets.

Taxonomy-aligned activities are expressed as a percentage:

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

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

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



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.



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.

The fund may not invest in sovereign bonds for purposes other than liquidity (via short-term securities, treasury bills).

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

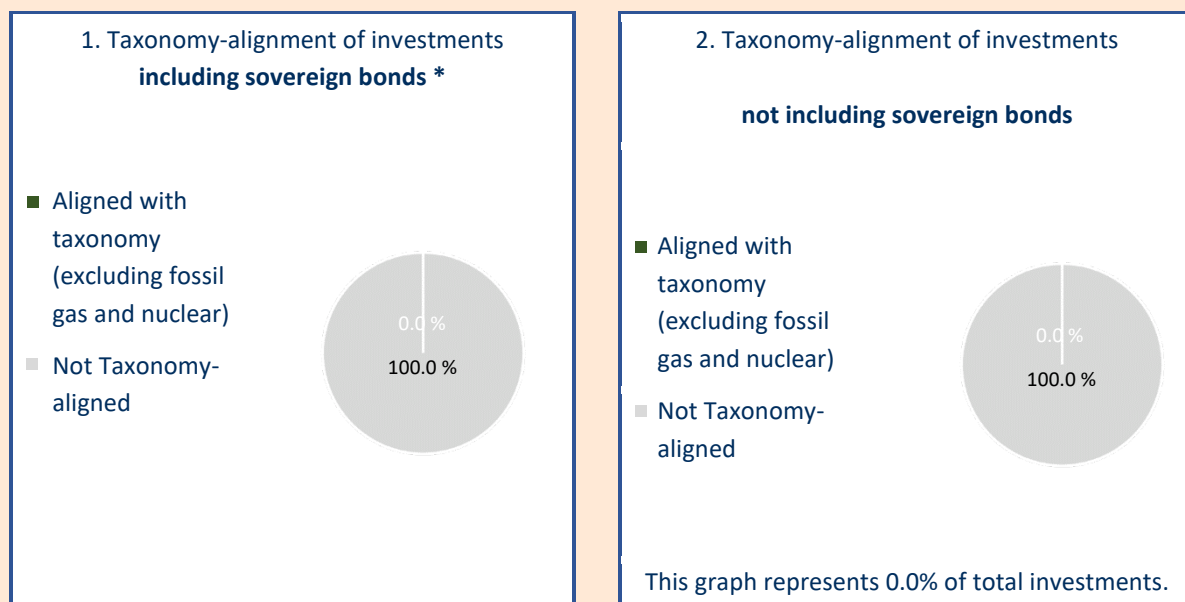
☐ In nuclear energy

☒ 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.



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

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

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



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

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



What is the minimum share of 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 index designated is the ICE BofAML Global High Yield index (Ticker Bloomberg: HW10 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 market index is traditional and representative of the strategy's profile.

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 this information 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.