



# Report 2022 on Principal Adverse Impacts

29 JUNE 2023

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**LA FRANÇAISE SYSTEMATIC ASSET MANAGEMENT**



**LA FRANÇAISE**  
INVESTING TOGETHER

# Summary of principal adverse impacts

Financial market participant: LA FRANCAISE SYSTEMATIC ASSET MANAGEMENT GMBH (LEI: 391200SAJ1O3DRMKXX08)

LA FRANCAISE SYSTEMATIC ASSET MANAGEMENT GMBH (LEI: 391200SAJ1O3DRMKXX08) considers the principal adverse impacts of its investment decisions on sustainability factors. This document is the consolidated statement of principal adverse impacts on the sustainability factors of LA FRANCAISE SYSTEMATIC ASSET MANAGEMENT GMBH.

This statement on the principal adverse impacts on sustainability covers a reporting period from 1 January 2022 to 31 December 2022.

# Description of the principal adverse impacts on sustainability

The policies relating to the identification and prioritisation of PAIs were approved by the management body of La Française Systematic Asset Management (LF SAM) on 29 June 2023.

For the 1st year, LF SAM calculated the 14 PAIs (principal adverse impacts) as required by the SFDR regulation.

The regulator has classified two categories of PAIs: on the one hand, climate indicators and other environmental indicators, and on the other, indicators relating to social issues, employees, respect for human rights and the fight against corruption and bribery.

Of the 14 mandatory PAIs, we have chosen to focus our efforts and monitoring on the indicators we use as part of our systematic analysis of DSNH (Do Not Significantly Harm) and on the carbon footprint, to which we are committed both through dedicated management strategies and as part of the Net Zero Asset Managers initiative (NZAMi). The following priorities have been identified:

- ◆ Carbon footprint
- ◆ Exposure to companies active in the fossil fuel sector
- ◆ Violations of the principles of the United Nations Global Compact and the OECD Guidelines for Multinational Enterprises

In addition to these 14 compulsory PAIs, there were two optional PAIs chosen by the group. The choice related to the following:

- ◆ Insufficient measures taken to remedy non-compliance with standards for the fight against corruption and acts of corruption (investments in companies that show proven shortcomings in terms of the adoption of measures to remedy non-compliance with procedures and standards for combating corruption and acts of corruption)
- ◆ Natural species and protected areas (investments in companies whose activities harm endangered species)

This choice is based on a dual approach: the topical significance and the level of coverage associated with these criteria. The fight against corruption is a crucial issue for the Group itself and for the financial industry in general, but it is also an issue we take seriously in our investment decisions. Biodiversity is obviously a key issue, and unfortunately there is very little data available to date.

Generally speaking, we note that very little data is available to enable us to calculate the social indicators, which therefore have unsatisfactory coverage rates, or even a large amount of unavailable data, which limits the choice of optional indicators on social and personnel issues.

By design, with this being the first year, we cannot situate ourselves over time and identify trends.

For this reason, given the lack of hindsight and sometimes of data (coverage rates), it is difficult to comment on the figures obtained in year 1 and to commit to targets for 2023. **In this context, our main objective for this first year is to avoid any deterioration in existing results by 2023. More specifically, we want to improve the climate change indicators we monitor, i.e. the carbon footprint and the proportion of fossil fuels.**

Below is the PAI table

| <i>Climate and other environmental indicators</i>   |   |   |                       |
|---|---|---|-----------------------|
| <b>Indicators of negative impact on sustainability</b>  |   | <b>Measuring element</b>  | <b>2022 Indicator</b> |
| Greenhouse gas emissions  | 1. GHG emissions  | Level 1 GHG emissions in tonnes of CO2 equivalent   | 787 708.2             |
|   |   | Level 2 GHG emissions in tonnes of CO2 equivalent   | 416 695.4             |
|   |   | Level 3 GHG emissions in tonnes of CO2 equivalent   | 12 912 756.2          |
|   | 2. Carbon footprint   | Carbon footprint in tonnes of CO2 equivalent per million euros invested.  | 23.1                  |
|   | 3. GHG intensity of investee companies  | GHG intensity of investee companies   | 94.7                  |
|   | 4. Exposure to companies active in the fossil fuel sector   | Share of investment in companies active in the fossil fuel sector (%)   | 4.8%                  |
| Water   | 5. Share of consumption and production of non-renewable energy  | Share of energy consumption and production of investee companies from non-renewable energy sources compared to that from renewable energy sources, expressed as a percentage of total energy sources (in %)   | 18.46%                |
|   | 6. Energy consumption intensity by sector with high climate impact  | Energy consumption in GWh per million euros of investee companies' turnover, by sector with high climate impact   | 0.2                   |
| Biodiversity  | 7. Activities with a negative impact on biodiversity-sensitive areas  | Share of investments made in companies with sites/establishments located in or near biodiversity-sensitive areas, if the activities of these companies have a negative impact on these areas (expressed as a %)   | 0.0%                  |
| Water   | 8. Discharge into water   | Tonnes of water discharged from investee companies, per million euros invested, weighted average  | 944.7                 |
| Waste   | 9. Ratio of hazardous waste and radioactive waste   | Tonnes of hazardous waste and radioactive waste produced by investee companies, per million euros invested, weighted average  | 99 592.7              |
| <i>Indicators relating to social issues, employees, respect for human rights and anti-corruption measures</i> |   |   |                       |
| Corporate and staffing issues   | 10. Violations of the principles of the United Nations Global Compact and the OECD Guidelines for Multinational Enterprises   | Share of investment in companies that have been involved in violations of the principles of the UN Global Compact or the OECD Guidelines for Multinational Enterprises (expressed as a %)   | 0.7%                  |
|   | 11. Lack of compliance processes and mechanisms to monitor compliance with the principles of the UN Global Compact and the OECD Guidelines for Multinational Enterprises. | Share of investment in companies that do not have a policy to monitor compliance with the principles of the United Nations Global Compact or the OECD Guidelines for Multinational Enterprises, or mechanisms for handling complaints or disputes enabling violations to be remedied (expressed as a %) | 10.1%                 |
|   | 12. Unadjusted gender pay gap   | Average unadjusted pay gap between men and women in investee companies (expressed as a monetary amount converted into euros)  | 0.006                 |
|   | 13. Gender diversity in governance bodies   | Average ratio of women to men in the governance bodies of the companies concerned, as a percentage of the total number of members   | 0.32                  |
|   | 14. Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons or biological weapons)   | Share of investment in companies involved in the manufacture or sale of controversial weapons (expressed as a %)  | 0.004%                |
| <i>Optional indicators</i>  |   |   |                       |
| Water, waste and other materials  | 14. Natural species and protected areas   | 1. Share of investment in companies whose activities harm endangered species (%)  | 0.007%                |
| Anti-corruption and anti-bribery  | 16. Insufficient measures taken to remedy non-compliance with anti-corruption and anti-bribery standards  | Proportion of investments in companies with proven shortcomings in terms of adopting measures to remedy non-compliance with anti-corruption and anti-bribery procedures and standards, expressed as a %.  | 0.03%                 |

# Description of policies to identify and prioritise the principal adverse impacts on sustainability

The source used for the vast majority of our data is **ISS ESG**.

For the **climate data** we use the CDP's **data source** and supplement it with our own calculations, which have been developed and refined over more than 5 years by our teams of data analysts.

For data relating to **controversial weapons**, we use data internally from **Sustainalytics** for our exclusion policy. However, the calculation of this indicator on LF SAM's overall transparent portfolio was carried out using data from the ISS service provider.

We note that coverage is poor on social aspects in particular and on certain environmental indicators other than climate.

You will find below the PAI table, which we have completed by adding the importance of these PAIs for our management, the coverage of the data available to date and the means by which these PAIs are taken into account in our management.

| <i>Climate and other environmental indicators</i>   |   |   |                |            |           |                               |
|---|---|---|----------------|------------|-----------|-------------------------------|
| Indicators of negative impact on sustainability   |   | Measuring element   | 2022 Indicator | Importance | Hedging   | Inclusion of                  |
| Greenhouse gas emissions  | 1. GHG emissions  | Level 1 GHG emissions in tonnes of CO2 equivalent   | 787 708.2      | High       | Very good | ESG rating                    |
|   |   | Level 2 GHG emissions in tonnes of CO2 equivalent   | 416 695.4      | High       | Very good | ESG rating                    |
|   |   | Level 3 GHG emissions in tonnes of CO2 equivalent   | 12 912 756.2   | High       | Very good | ESG rating                    |
|   | 2. Carbon footprint   | Carbon footprint in tonnes of CO2 equivalent per million euros invested.  | 23.1           | High       | Very good | ESG rating                    |
|   | 3. GHG intensity of investee companies  | GHG intensity of investee companies   | 94.7           | High       | Very good | ESG rating                    |
|   | 4. Exposure to companies active in the fossil fuel sector   | Share of investment in companies active in the fossil fuel sector (%)   | 4.8%           | High       | Very good | ESG rating - exclusion policy |
| Biodiversity  | 5. Share of consumption and production of non-renewable energy  | Share of energy consumption and production of investee companies from non-renewable energy sources compared to that from renewable energy sources, expressed as a percentage of total energy sources (in %)   | 18.46%         | High       | Average   | ESG rating                    |
|   | 6. Energy consumption intensity by sector with high climate impact  | Energy consumption in GWh per million euros of investee companies' turnover, by sector with high climate impact   | 0.2            | High       | Average   | ESG rating                    |
|   | 7. Activities with a negative impact on biodiversity-sensitive areas  | Share of investments made in companies with sites/establishments located in or near biodiversity-sensitive areas, if the activities of these companies have a negative impact on these areas (expressed as a %)   | 0.0%           | Low        | Very good | ESG rating                    |
| Water   | 8. Discharge into water   | Tonnes of water discharged from investee companies, per million euros invested, weighted average  | 944.7          | High       | Low       | ESG rating                    |
| Waste   | 9. Ratio of hazardous waste and radioactive waste   | Tonnes of hazardous waste and radioactive waste produced by investee companies, per million euros invested, weighted average  | 99 592.7       | Average    | Low       | ESG rating                    |
| <i>Indicators relating to social issues, employees, respect for human rights and anti-corruption measures</i> |   |   |                |            |           |                               |
| Corporate and staffing issues   | 10. Violations of the principles of the United Nations Global Compact and the OECD Guidelines for Multinational Enterprises   | Share of investment in companies that have been involved in violations of the principles of the UN Global Compact or the OECD Guidelines for Multinational Enterprises (expressed as a %)   | 0.7%           | High       | Very good | Analysis of controversies     |
|   | 11. Lack of compliance processes and mechanisms to monitor compliance with the principles of the UN Global Compact and the OECD Guidelines for Multinational Enterprises. | Share of investment in companies that do not have a policy to monitor compliance with the principles of the United Nations Global Compact or the OECD Guidelines for Multinational Enterprises, or mechanisms for handling complaints or disputes enabling violations to be remedied (expressed as a %) | 10.1%          | High       | Very good | Analysis of controversies     |
|   | 12. Unadjusted gender pay gap   | Average unadjusted pay gap between men and women in investee companies (expressed as a monetary amount converted into euros)  | 0.006          | High       | Low       | ESG rating                    |
|   | 13. Gender diversity in governance bodies   | Average ratio of women to men in the governance bodies of the companies concerned, as a percentage of the total number of members   | 0.32           | High       | Average   | ESG rating                    |
|   | 14. Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons or biological weapons)   | Share of investment in companies involved in the manufacture or sale of controversial weapons (expressed as a %)  | 0.004%         | High       | Very good | Exclusion policy              |
| <i>Optional indicators</i>  |   |   |                |            |           |                               |
| Water, waste and other materials  | 14. Natural species and protected areas   | 1. Share of investment in companies whose activities harm endangered species (%)  | 0.007%         | Average    | Very good | ESG rating                    |
| Anti-corruption and anti-bribery  | 16. Insufficient measures taken to remedy non-compliance with anti-corruption and anti-bribery standards  | Proportion of investments in companies with proven shortcomings in terms of adopting measures to remedy non-compliance with anti-corruption and anti-bribery procedures and standards, expressed as a %.  | 0.03%          | High       | Very good | ESG rating                    |

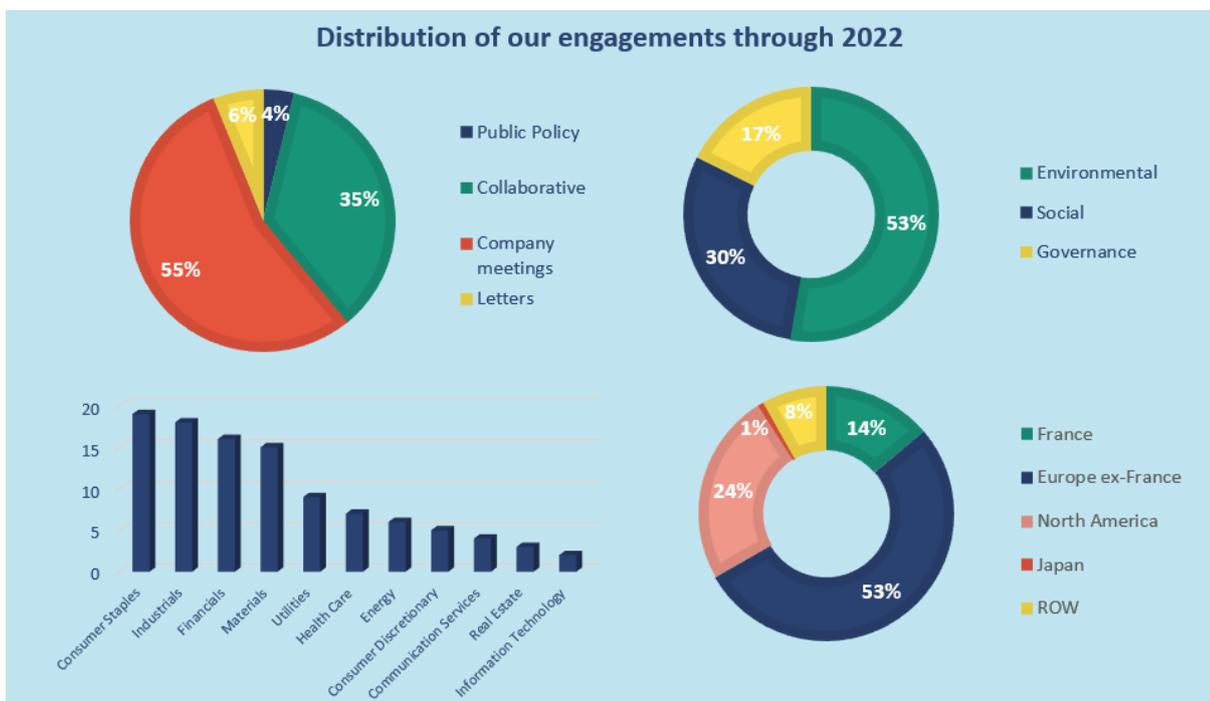
# Engagement policy

**For Financial Assets**, the Group has considerably strengthened its engagement strategy over the course of 2022, joining a number of initiatives in which it is active in working groups or as a lead investor in an engagement.

La Française is now active in **four areas identified as priorities for the Group: climate change, natural capital, social capital and governance & indicators.**

**During 2022, the La Française Group established a dialogue with 104 companies and engaged with 46 companies (compared with 17 in 2021) either directly or in collaboration with other organisations and/or investor groups.** These results are presented in the 2022 Engagement Report.

The breakdown of La Française's engagement in 2022 is as follows



LFAM's engagements cover 4 main themes, including all of the 14 + 2 PAIs monitored:



Further details can be found in our Climate and Responsibility Strategy 2022 report (article 29) and our 2022 Engagement Report available on the Sustainable Investment Publications page of our website [here](#).

## References to international standards

To strengthen its engagement, in October 2010 the La Française Group signed the Principles for Responsible Investment (PRI) as well as numerous initiatives, charters and engagements which are listed below. In line with its engagement to the climate, the Group also supports the Paris Climate Agreement signed at COP21. Finally, in 2022, the Group joined new initiatives in line with its convictions. In the area of biodiversity, it has signed the Finance for Biodiversity Pledge and become a member of the TNFD Forum (Taskforce on Nature-related Financial Disclosures).

| Initiatives  | Date | Objectives  |
|--|------|---|
| PRI  | 2010 | Support the adoption of ESG criteria in investment  |
| UNEP FI  | 2015 | Share experience in sustainable finance among major asset managers  |
| CDP (formerly the Carbon Disclosure Project)                                     | 2013 | Encourage companies to be environmentally transparent in order to build a shared database   |
| Workforce Disclosure Initiative (PRI - Share action)                             | 2017 | Support transparency in Human Capital   |
| Climate action 100+  | 2017 | Ensure that the world's largest emitters of greenhouse gases take the necessary action to combat climate change   |
| Net Zero Asset Management initiative (NZAMi)                                     | 2021 | Engagement to support the goal of net zero CO2 emissions by 2050 or earlier.  |
| Finance for Biodiversity Pledge and Foundation                                   | 2022 | Commitment to produce a biodiversity strategy and report by 2025; participation in the Foundation working groups  |
| 30% Investor Club France   | 2022 | Encouraging a greater presence of women in the executive bodies and management of major French companies  |
| ShareAction LIPH, Long-Term Investors in People's Health                         | 2022 | Discussing with companies how to take into account the health of their employees, their consumers and their ecosystem.  |
| Forum for Responsible Investment (FIR) – France                                  | 2007 | Support the adoption of ESG in France   |
| Forum per la Finanza Sostenibile (FFS): forum for responsible investment – Italy | 2017 | Support the adoption of ESG in Italy  |
| AFG – IR Committee   | 2017 | Reflect on and lead the way on responsible investment among peers within the trade federation. Laurent Jacquier Laforge, Global Head of Sustainability at La Française Group is Vice-Chairman of the Responsible Investment Committee of AFG. |

# Historical comparison

A historical comparison of the period under consideration with the previous period will be carried out from 2024 onwards.

## Information about taxonomy

### Annex C – Share of outstandings relating to activities eligible under the technical criteria of Taxonomy Regulation (EU) 2020/852.

|  | Regulatory ratio (mandatory) based on counterparty disclosures (1) | Voluntary ratio (optional) reflecting estimates of the level of eligibility of counterparties |
|--|--|---|
| Exposure to taxonomy-compliant economic activities as a percentage of total assets (%)               | 5.9%   |   |
| Exposure to economic activities which are not taxonomy-compliant as a percentage of total assets (%) | 94.1%  |   |

|   |      |
|---|------|
| Exposure to central governments, central banks or supranational issuers as a percentage of total assets (%) | 2.3% |
|---|------|

|   |              |
|---|--------------|
| Share of derivatives in total assets (%)  | 0.17%        |
| Are derivatives calculated at market value or exposure (underlying equivalent)? | Market value |

|  |  |
|--|--|
| Share of total assets of exposures to undertakings not listed in Article 19a or Article 29a of Directive 2013/34/EU and which are therefore not required to publish indicators of eligibility and alignment with the taxonomy.<br><i>Articles 19a and 29a make it possible to identify issuers subject to non-financial reporting including indicators of taxonomy eligibility and alignment (%)</i> |  |
|--|--|

*(1) In accordance with the explanations provided by the European Commission in its communication of October 2022 on the interpretation of certain legal provisions concerning the declaration of eligible economic activities and assets (question 20 of this communication), financial institutions use the most recent information published by their counterparties to determine the level of eligibility of their current assets with the European Taxonomy of Sustainable Activities.*

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