



**METROPOLE** *Gestion*<sup>®</sup>  
RESPONSIBLE VALUE INVESTMENT

# Incorporating ESG criteria into risk management and internal control process

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METROPOLE Gestion

2020

## 1. ESG Approach

METROPOLE Gestion has adopted a single global and integrated process: Responsible Value. As such, the same management process is applied to the sub-funds, METROPOLE Sélection, METROPOLE Euro SRI and METROPOLE Avenir Europe of the SICAV METROPOLE Funds, and to some dedicated funds to institutional investors (certain AIF/FIVG, Sub-delegation or mandates).

The objective is to encourage and prompt the companies in which we invest on behalf of our clients to implement sustainable development over the long term, regardless of their business sector.

Our initial investment universe is composed of European companies with over 100 million euros of market capitalization, with the exception of those subject to the exclusions specified in our policy.

The universe is then reduced a second time based on our Best-in-class and Best effort ESG rating system by favoring companies with the highest ratings in their sector, or companies making the most significant efforts to adopt the best ESG practices while eliminating the companies with the lowest ratings, in addition to due consideration being given to past or current controversies.

The Responsible Value management is also reflected into a commitment to the companies in which METROPOLE Gestion invests. This commitment takes the form of a dialogue with companies as well as voting rights exercising.

## 2. Incorporating ESG criteria into internal control

When supervising the proper implementation of the ESG strategy, the Compliance and Permanent Control team controls all aspects of the Value Responsible process. The team :

- verifies compliance with the ESG analysis process for companies (4 pillars rating);
- monitors compliance with the exclusion policy;
- controls eligibility of securities held in portfolio with regard to their ESG scores;
- controls the commitment to improve the ESG score of the global portfolio versus the investment universe;
- ensures that the voting rights attached to the securities held in the portfolio are exercised in accordance with the voting policy drawn up by the management company.

## 3. Focus on securities eligibility controls and score improvement

### 3.1 Eligibility of securities based on ESG scores

When selecting securities as part of the Responsible Value management process, the portfolio manager refers to their ESG scores to verify that they are eligible.

A security is eligible if its ESG score is:

- BBB- (investment grade) or above with no Best effort condition;
- BB+ or below subject to a minimum +++ Best effort rating;

Companies rated in the CCC bucket are ineligible and therefor ruled out.

Portfolio mangers' investment decisions are verified pre-trade using the Simcorp Dimension Compliance module: transactions involving securities that do not meet the eligibility criteria conditions are automatically blocked.

### **3.2 Average ESG score of the portfolio**

The Responsible Value investment process is designed to keep the portfolio's weighted average ESG score above that of the investment universe, after removing the worst-rated 20%.

Before any investment decision, the portfolio manager simulates the impact of an investment on the average portfolio score in Simcorp Dimension Asset Management. The average portfolio rating must stay above that of the investment universe excluding the 20% securities with the worst ratings.

Moreover, the average ESG score of portfolios is calculated pre-trade using the Simcorp Dimension Compliance module: transactions that will lead to a score below the reference are automatically blocked.