

CSR Policy

METROPOLE Gestion

2022

Contents

1. Introduction: what is CSR and what are its goals?.....	3
2. Our sustainable development goals	3
3. METROPOLE Gestion: sustainable development on a daily basis	4
3.1. Environmental responsibility.....	4
3.2. Social responsibility.....	5
3.3. Responsible approach on social issues.....	6
3.4. Social responsibility: METROPOLE Gestion is a fully-fledged corporate citizen	6
4. METROPOLE Gestion: an ESG actor since 2008	7
4.1. Consideration of ESG criteria in the extra-financial analysis of companies.....	7
4.2. Launch of METROPOLE Value SRI in 2008.....	7
4.3. METROPOLE Gestion: signatory to the UNPRI in 2009.....	7
4.4. Other global initiatives.....	8
5. Engagement policy.....	8
5.1 The form of our engagement.....	8
5.2 Implementation	8
6. Our ESG analysis procedure.....	9
6.1. The reference framework	9
6.2 Quantitative Analysis: data measurements and aggregation	11
6.2.1 Construction of Best-in-class ratings	11
6.2.2 Construction of Best Effort ratings.....	11
6.2.3 Revision of ratings:	11
6.3 Qualitative analysis	12
7. Integration of climate change criteria within portfolio construction	12
8. Responsible Value investment policy	13
8.1 A comprehensive and integrated management process.....	14
8.2 Exclusion policy	15
9. Transparency for investors.....	15
9.1 Regulatory documents	15
9.2 ESG material.....	16

1. Introduction: what is CSR and what are its goals?

The European Commission had previously defined corporate social responsibility (CSR) as "a concept which refers to the voluntary integration by companies of social and environmental concerns into their business activities and their relations with their stakeholders". It now defines it as "the responsibility of companies vis-à-vis the impact they have on society".

In order to fully discharge this responsibility, companies, in close collaboration with their stakeholders, engage in a process to integrate social, environmental, ethical, human rights and consumer concerns into their business activities and their basic strategy.

As a company committed to Responsible Value management and a pioneer of ESG since 2008, METROPOLE Gestion's mission is twofold:

- Our role as an investor is to encourage companies and issuers to improve over time on three major non-financial themes: Environment / Social / Governance, as well as on the dynamics of the fight against climate change.
- Our role as a responsible actor is to apply these goals to ourselves.

2. Our sustainable development goals

METROPOLE Gestion endorses and supports the 17 United Nations Sustainable Development Goals:



As a private actor and entrepreneurial company, we have interpreted these goals at the level of our organization by focusing on the themes we can act on or make an effective contribution to on a daily basis:

3. Good health and well-being at work
5. Gender equality
7. Affordable and clean energy
8. Decent work and economic growth
10. Reduced inequalities
12. Responsible consumption and production
13. Measures to combat climate change

In our business as an investor, all the United Nations Sustainable Development Goals have been incorporated into our ESG framework, which has 150 indicators *(please refer to Chapter 6 for more details about the architecture and methodological basis of the reference framework).*

3. METROPOLE Gestion: sustainable development on a daily basis

METROPOLE Gestion includes environmental, social and governance issues at **all levels of its organization on a daily basis.**

3.1. Environmental responsibility

The implementation of best practices within the company to protect the environment has resulted in:

- **Energy and paper savings** (our paper consumption has been reduced by 95% since 2018, gradual dematerialisation of meeting materials, both internal and external...).
- **Systematic recycling** (paper, plastic, ink cartridges, batteries, coffee capsules, etc.).
- **Inclusion of social and environmental criteria in supplier specifications** (use of PEFC certified paper, electricity fully offset in production from renewable resources, etc.)
- **Offsetting of CO2 emissions related to travel.** Our airline ticket booking agency is instructed to pay or donate to offset travel emissions whenever this solution is offered by airlines. This compensation makes it possible to finance sustainable development projects. A report on actions and our contribution is carried out each year with the agency.
- **Datacenter**
METROPOLE Gestion is in the process of migrating its IT equipment to a **data center designed to optimise electricity consumption.** The free-cooling system via external air flows has been favoured over the more traditional water-cooling system using chilled water. The gains in total electricity consumption are estimated at some 35%, a saving of about 6 GWh per year compared to a traditional data center. **This saving represents the annual consumption of a traditional 150,000 m² office building.**

3.2. Social responsibility

METROPOLE Gestion is committed to a human resources policy based on tangible factors guaranteeing absolute social responsibility. Among these factors, the quality of working conditions and, more generally, the quality of work life remain a priority:

- Work ergonomics and comfort,
- Daily exchanges between employees and their line managers,
- The right to disconnect,
- Work-life balance,
- key HR indicators monitoring (turnover, number of workplace accidents, absenteeism, illness, etc.).

For example, the absenteeism rate for illness was less than 1% in 2020 on 31/08/2020 (long illness excluded), no work accident in 2020 to date, and an average length of service in the company of over 8 years, thus illustrating the stability of the teams and the attachment carried by METROPOLE Gestion to the professional and individual development of its employees.

These professional and individual development of employees also involves the funding and implementation of employees training.

In addition, METROPOLE Gestion teams have a great deal of autonomy in their work organization, thus enabling each and every one to take responsibility for the missions entrusted to them. This autonomy also promotes flexibility in our work organization, guaranteeing optimal adaptation when necessary.

METROPOLE Gestion has established an HR dashboard that includes social indicators. It is closely monitored by senior management and the Human Resources function, and is based on three pillars:



This social responsibility is also expressed via a **compensation policy** that establishes incentives for all employees to contribute to the economic development of the company through a profit-sharing agreement and employee shareholding plan. Added to these financial elements is a supplementary

social protection for employees through the introduction of additional schemes guaranteeing 100% of salary in the event of sick leave and a high-quality health cover.

METROPOLE Gestion also pays particular attention to two fundamental principles during the recruitment process, namely **non-discrimination** and **equality of opportunity** (at an equivalent level of education and experience). Compliance with these 2 principles is guaranteed through a recruitment process that includes at least two interviews, one with the systematic presence of Human Resources Management and another one with the presence of at least two members of the General Management. This cross-interview process ensures that the recruitment process is carried out according to the two fundamental principles set out above.

In terms of employment, the company also takes a responsible stance: to date, out of the 31 existing jobs within METROPOLE Gestion, 30 are permanent jobs. The only non-permanent position is an apprenticeship position. **Job stability** is a key component in METROPOLE Gestion's approach to its **social responsibility**.

3.3. Responsible approach on social issues

METROPOLE Gestion considers that its responsibility as an employer is not limited to complying with its legal obligations. As such, the company is committed to fundamental social issues such as gender equality. Efforts are continuously made to eliminate inequalities in this area. To illustrate these efforts, within our structure, nearly 60% of Managers are women and the Senior Management team is 40% made up of women. The company is also vigilant in respecting equal pay between women and men with equivalent responsibilities and positions. This vigilance is a part of the company's remuneration policy.

Hyper-connection is also an important societal issue to which our company is attentive, especially with regard to the profound transformations that work organizations are currently experiencing. That is why METROPOLE Gestion has implemented a system on this matter with a charter relating to the right to disconnection and to the balance between private and family and professional life, a charter through which we intend to promote a corporate culture that favors respect for this right. The system also provides for exchanges between line managers and employees in this area, with the support of dedicated materials.

The Senior Management, in collaboration with the Human Resources function, ensures daily compliance with the various principles set out above so that METROPOLE Gestion acts as a socially responsible company towards its employees.

3.4. Social responsibility: METROPOLE Gestion is a fully-fledged corporate citizen

Being a committed actor has been a fundamental issue for the company since its founding. METROPOLE Gestion has therefore established the following initiatives at a very early stage:

- **Support for the "METROPOLE Solidarité" foundation** established in 2005 to fund initiatives focussing on culture, the transmission of economic understanding and youth issues.

- **Cultural sponsorship:** METROPOLE Gestion is currently sponsoring the endowment fund of the Louvre Museum. It has also been a sponsor of the *Musée des Confluences* in Lyon, the *Musée du Quai Branly* and the *Réunion des Musées Nationaux-Grand Palais*.
- **A founding member and funder of the "Value and CSR" chair** at the University of Clermont Auvergne: the academic collaboration with the University of Clermont Auvergne strives to provide a long-term solution to the issue of corporate social responsibility and company valuation. It has been reinforced by the launch in 2012 of the research chair in Value and Corporate Social Responsibility, of which METROPOLE Gestion is a founding partner alongside Michelin, Caisse d'Epargne d'Auvergne et Limousin and Maif, with the main objective of associating companies' market value with their socially responsible behaviour.

4. METROPOLE Gestion: an ESG actor since 2008

METROPOLE Gestion has been initiating ESG actions for over 10 years.

4.1. Consideration of ESG criteria in the extra-financial analysis of companies

In 2008, METROPOLE Gestion was already taking ESG criteria into consideration in the extra-financial analysis of companies and subscribed to MSCI's social and environmental rating services (formerly Innovest).

Since subscribing to external rating services does not offer a sufficient source of data, in partnership with the Université Clermont Auvergne, METROPOLE Gestion has developed its own extra-financial rating framework, thereby confirming its desire to be independent of the major ESG rating agencies.

4.2. Launch of METROPOLE Value SRI in 2008

In addition, in 2008 METROPOLE Gestion launched METROPOLE Value SRI (on 09/07/2008), thereby becoming one of the first independent asset management companies to launch an SRI fund in France.

This fund, holding the SRI Label, takes ESG criteria into account in the investment policy and is managed exclusively on the basis of our SRI methodology.

4.3. METROPOLE Gestion: signatory to the UNPRI in 2009

In 2009, METROPOLE Gestion became a signatory to the UNPRI, which concretely means a commitment to apply the following principles:

1. we will consider ESG issues in investment analysis and decision-making processes;
2. we will be active investors and will consider ESG issues in our shareholder policies and practices;
3. we will ask the entities in which we invest to publish appropriate information on ESG issues;
4. we will promote acceptance and application of the Principles among asset management stakeholders;
5. we will work together to increase our effectiveness in applying the Principles;
6. we will report individually on our activities and our progress in implementing the Principles.

In order to ensure the proper application of these principles, METROPOLE Gestion occasionally produces questionnaires and evaluation reports via the UNPRI platform.

4.4. Other global initiatives

In 2018, METROPOLE Gestion reinforced its commitment towards responsible investment by becoming signatory to the CDP and to the Montréal Pledge. In 2019, METROPOLE Gestion became signatory to the TCFD.

In 2020, through the Climate Action 100+, METROPOLE Gestion has joined forces with a group of investors to apply a more specific monitoring of the company HeidelbergCement.

5. Engagement policy

METROPOLE Gestion has put an engagement policy in place to encourage companies to improve on ESG issues. Our engagement is carried out:

- **by exercising the voting rights** attached to securities held in the portfolio as part of a voting policy published on our website;
- **by direct dialogue with issuers** as a means of identifying ESG risks and changing the strategy of the companies analysed.

5.1 The form of our engagement

METROPOLE Gestion is active with the companies in which it invests when it identifies ESG risks or opportunities for improvement.

In concrete terms, this engagement can take three forms: individual engagement, thematic engagement and / or collective engagement.

Individual engagement covers the actions carried out directly by METROPOLE Gestion through dialogue with companies and exercising voting rights on ESG resolutions.

Thematic engagement is the result of reflection, carried out and reviewed each year internally, on very specific topics (for example reducing carbon emissions, water consumption, waste recycling, etc.).

Collective engagement is realized collectively / together through groups or associations of investors, in order to increase influence on companies. METROPOLE Gestion reserves the right to participate in collective actions concerning ESG matters whenever it deems it necessary in the interest of investors and stakeholders.

5.2 Implementation

METROPOLE Gestion implements its engagement by exercising voting rights on ESG matters in accordance with its voting policy.

METROPOLE Gestion has set up an organization that coordinates all the information needed to exercise the voting rights attached to the securities held by the portfolios for which it exercises voting rights.

As a matter of principle, METROPOLE Gestion favourably addresses any resolutions relating to ESG issues that are put to the vote.

Whenever it deems it necessary, METROPOLE Gestion reserves the right to ask questions to companies, reject resolutions or support external resolutions.

We also conduct engagement actions prior to shareholder meetings in order to address or even influence the content of resolutions to be put on the agenda to ensure it is in line with the interests of minority shareholders and is in accordance with our governance principles.

During its weekly management committee meetings, METROPOLE Gestion discusses issues relating to exercising voting rights and in particular considers ESG topics. In this context, in the event of significant controversy, proven ESG risk, absence or insufficient significant improvement within the company being examined, the management team may decide to reduce or liquidate its position.

METROPOLE Gestion implements its engagement through dialogue with companies during interviews with CSR and company managers.

As part of its management process, METROPOLE Gestion conducts between 400 and 500 company visits a year. Companies held in portfolios are seen on average 3 times a year. ESG discussions are held at least once a year.

Dialogue provides a good understanding of ESG issues at the company level, and the opportunity to look in greater detail at the identified risks, pinpoint unidentified risks during the rating process and develop the company's strategy.

As part of this dialogue, METROPOLE Gestion encourages companies to be transparent about ESG issues, for example by publishing their ESG strategy, policies and results.

For further details, our engagement policy and engagement report are accessible via our website.

6. Our ESG analysis procedure

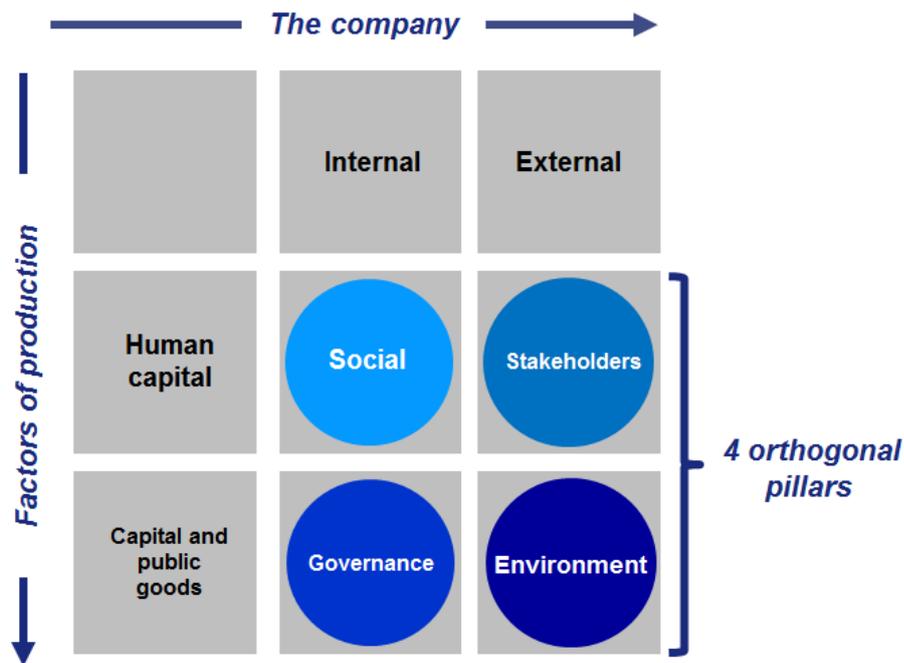
The funds METROPOLE Gestion manages are subject to a 360 degree corporate analysis procedure that considers three aspects: extra-financial analysis, financial analysis, and balance-sheet analysis.

Our analysis procedure is based on a multi-sector, Best-in-class / Best effort approach that encourages companies to improve on the three major non-financial ESG themes.

It is based on a solid base methodology built during our academic collaboration with Université Clermont Auvergne.

6.1. The reference framework

The reference framework provides the architecture for the rating system. It is structured around 4 orthogonal pillars:



The matrix consists of two axes producing the 4 pillars: Internal - External / Human Capital – Capital and public goods.

The 4 pillars are equally weighted. They are then broken down into sub-pillars analysed in extensive detail:

Environment: measurement of the company’s impact on the ecosystem

- Impact of the production process on emissions
- Impact of the production process on resource consumption
- Impact of products

Labour relations: measurement of the company’s impact on its human resources

- Fundamental rights
- Quality of working conditions (arduousness, health & safety in the workplace, etc.)
- Employee development and job security (compensation, training, promotion, etc.)

Governance: measurement of the quality of relations between senior management, shareholders and the board of directors

- Shareholder protection, CSR approach
- Effectiveness of the board of directors
- Effectiveness of executive officers

Stakeholders: measurement of the quality of relations with contractual and external stakeholders

- Customers
- Suppliers
- Government and public authorities
- Civil society

6.2 Quantitative Analysis: data measurements and aggregation

We use the Eikon database from Refinitiv, one of the largest non-financial databases (5,000 companies worldwide) which maintains stable data over time and combines official data from the companies (annual reports and sustainable development reports) with data on controversies emanating from press agencies.

Based on this data, 150 indicators have been constructed measuring each element of the system, emphasising results versus the resources employed (weighting 75% to 25%).

Our method for analysing ESG criteria aims at selecting European companies that are above the average for companies in their sector ("Best-in-class" approach) or that have a high expectations of developing on these issues ("Best effort" approach).

The "Best-in-class" rating scale ranges from AAA + CCC-, while the "Best Effort" rating scale ranges from 5 to 1 stars.

6.2.1 Construction of Best-in-class ratings

The measurements provided by the Eikon database are aggregated in accordance with our reference framework.

The results obtained for each indicator lead to the company being classified within its sector followed by a standardisation process producing a score between 0% and 100%.

The scores are then aggregated to produce a score for each of the 4 pillars of environment, labour relations, governance and stakeholders, which are equally weighted.

The results obtained for each pillar are aggregated once again and standardised to obtain global ratings between 0% and 100%.

The global ratings are distributed among multiple groups rated from AAA+ to CCC-.

6.2.2 Construction of Best Effort ratings

The issuer's global rating is supplemented by a Best effort rating. This is calculated using the variation of the global rating over the past 3 years with incremental coefficients (the latest year has a coefficient of 3). The companies are classified and broken down into 5 groups ranging from 1 to 5 stars (5 stars being the highest best effort rating).

6.2.3 Revision of ratings:

Our research process has been designed to be stable over time. Ratings are reviewed once each year when the companies' annual reports and sustainable development reports are published.

6.3 Qualitative analysis

The quantitative rating is verified and completed by the qualitative analysis. It is based on the following elements:

- **Due consideration given to ongoing controversies**

All controversies related to the securities held in the portfolio are monitored on a weekly basis.

In addition to the quantitative rating, controversies of new companies being reviewed are analysed for the past 3 years.

In order to assess the significance of the controversy, a procedure has been implemented incorporating a specific analytical matrix.

The emergence of a controversy does not change the company's quantitative rating during the year in question. Depending on the significance of the controversy the weighting within the portfolio will be modified, potentially leading to exit.

This is detailed in our Policy of controversies prevention and verification.

- **Analysis of specific sector risks**

We also pay close attention to identifying specific ESG risks. We include these risks in our analysis for all companies in the same sector.

- **Dialogue with the companies**

Dialogue with companies during the meetings held with the companies' CSR officers and senior management, at least once a year for portfolio companies, designed to conduct in-depth investigations into identified risks, to detect risks not identified during the rating process and to encourage the company to adapt its strategy.

- Thematic direct dialogue with companies; every year, all companies in the portfolio are questioned by the portfolio management team at the start of the year about a specific ESG and climate theme.
- Collective dialogue through collective actions with other investors.

7. Integration of climate change criteria within portfolio construction

Our climate risk assessment is based on a quantitative and qualitative approach.

A set of climate change indicators is taken into consideration by our proprietary ratings model which principles are developed in the previous paragraph. 35 indicators out of 150, i.e. over 20% of the indicators we monitor are climate change criteria and are distributed among the 4 analytical pillars. They are part of the ESG rating as described above.

We have also established a specific performance rating related to climate risk management, allowing companies to be ranked accordingly. We thus calculate a “climate risk score” for each company that takes into account physical risks and transition risks faced by companies as well as their alignment with the 2°C pledge of the Paris Climate Agreement. This score has 22 sub-indicators classified into percentiles, which are then equally weighted.

These criteria form an integral part of the quantitative rating of each company and are subjected to qualitative analysis during the meetings held with the companies.

They are broken down into the following themes:

- physical risks induced by climate change;
- risks induced by transition to a low-carbon economy;
- benefits of favouring a low-carbon economy ;
- compatibility with the 2°C pledge;
- consequences of climate change and of extreme weather events;
- changing availability of resources “climatically” compatible with the objectives;
- consistency of investment expenditure with the low-carbon strategy;
- measurement of greenhouse gas emissions.

In addition to incorporating criteria within the ESG ratings, METROPOLE Gestion has adopted a policy of themed engagement covering climate change. During dialogue with issuers, we question all companies held in the portfolio about their CO2 strategy and assess the extent to which they comply with the 2°C pledge established during the Paris Climate Agreement. The results of this engagement are detailed in our Engagement Report.

Furthermore, as a signatory of the Carbon Disclosure Project, METROPOLE Gestion has adopted the Non-Disclosure Campaign⁽¹⁾, a collective engagement campaign targeting companies not responding to information requests from the CDP. This engagement is designed to improve the transparency of climate change information communicated by companies. Furthermore, in 2020 METROPOLE joined the CDP SBT Campaign, an initiative requesting companies to adopt CO2 emission reduction targets validated by the Science Based Targets initiative’s (SBTi).

Finally, we monitor each company’s and each portfolio’s carbon footprint, in particular by the carbon intensity (tons of CO2 equivalent per year and per million of turnover) measured by the CO2 emissions for 1 million euros of turnover generated by owned companies. The measurements come from data published by the companies or include measurements collected by the CDP; they include scope 1 and 2 emissions.

8. Responsible Value investment policy

¹ Further information on the Non-Disclosure Campaign is available on request

8.1 A comprehensive and integrated management process.

The management process can be portrayed as follows:

Pre-selection

Reduction of the investment universe in line with 3 successive criteria:

- elimination of companies falling within the scope of our exclusion policy,
- elimination of companies with the lowest ratings under the Best-in-Class/Best Efforts ESG rating produced using our proprietary methodology or which have been the subject of a major controversy,
- selection of securities that are discounted vis-à-vis their industrial value by using for each sector the same valuation criteria as used for the sector's companies recorded in our proprietary database of past transactions.

Valuation

Calculation of industrial value, analysis of the balance sheet strength, consideration of extra-financial controversies followed by meeting with management.

- A 360° analysis of the company taking into account three aspects: extra-financial analysis, financial analysis, balance sheet analysis.
- Meeting with management regarding these 3 aspects.
- Choosing an appropriate valuation ratio for each type of business. Evaluation of ESG risks and opportunities.

Identification of catalysts

Anticipation of changes in market status for the security selected, likely to reduce any undervaluation relative to their industrial value.

- Identifying financial or extra-financial catalysts, new controversies or changes in extra-financial ratings.

Entry

Entry based on a collegial decision and weighting of each security according to its discount and catalysts.

- Portfolio with stocks discounted against their industrial value, with strong balance sheet and ESG qualities.
- Concentrated portfolios with 30 to 40 stocks.

Exit

Strict sell discipline

- When the valuation target is reached.
- When identified catalysts do not materialise.
- In the event of a sharp downgrade in extra-financial ratings.
- In the event of significant controversy.

For METROPOLE Sélection, METROPOLE Euro SRI and METROPOLE Avenir Europe, additional selectivity constraints are in place with regard to ESG:

- Companies rated above or equal to BBB- (Investment grade) may be selected with no Best effort condition;
- companies rated below or equal to BB+ may be selected subject to a minimum +++ Best effort rating;
- companies rated in the CCC bucket are ruled out;
- the portfolio's overall ESG rating must be higher than the reference universe's overall ESG rating, minus 20% of the lowest rated securities.

8.2 Exclusion policy

METROPOLE Gestion applies a policy of normative exclusion (exclusion of companies that do not comply with certain international standards (chemical weapons, anti-personnel mines, violation of the principles of the Global Compact...)) and sectorial (total or partial exclusion of sectors or activities based on ethical considerations (tobacco, gambling, armament, entertainment for adults / pornography, coal ...)).

The lists of companies concerned are defined by the Portfolio management team, and the Compliance and Permanent Control department ensures compliance with these exclusions. The exclusions are valid for all asset classes (equities, bonds and derivatives-related exposures).

Our exclusion policy is available on our website.

9. Transparency for investors

We attach particular importance to presenting the results of our CSR approach and all our ESG actions to investors.

Throughout the year, we provide investors with the following documents, available on request and / or freely accessible via our website.

9.1 Regulatory documents

The regulatory documents below are available directly on our website:

- KIID and fund prospectuses;
- articles of Association of the funds;
- fund monthly reports (including carbon footprint of funds);
- half and full year reports;
- voting policy;
- annual report on exercising voting rights.

9.2 ESG material

The documents and reports below give information about our Responsible Value approach:

All of this information can be viewed on our [website](#).

Company

- CSR Policy
- Responsible Value Management
- Shareholder engagement
- Reporting Article 173-VI of METROPOLE Gestion
- UNPRI transparency report
- La Lettre SRI

Funds

- Transparency code
- Exclusion policy
- Voting policy
- Report on exercising voting rights
- Engagement policy
- Engagement report
- Controversy prevention and verification policy
- Reporting Article 173-VI of METROPOLE Sélection
- Reporting Article 173-VI of METROPOLE Euro SRI
- Reporting Article 173-VI of METROPOLE Avenir Europe
- Impact report METROPOLE Sélection
- Impact report METROPOLE Euro SRI
- Impact report METROPOLE Sélection Avenir Europe
- Policy regarding Incorporating ESG criteria into risk management and internal control processes