



CSR Policy

METROPOLE Gestion

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Contents

1. Introduction: what is CSR and what are its goals?.....	3
1.1 Definition.....	3
1.2 Objective of our CSR policy	3
2. Our sustainable development goals	4
3. METROPOLE Gestion: sustainable development on a daily basis	5
3.1 Encouragement to respect the environment.....	5
3.2 Social indicators.....	5
3.3 Respect for human rights	6
3.4 METROPOLE Gestion societal actor: a citizen in its own right.....	7
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 the METROPOLE Value SRI fund 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	9
6. Our ESG analysis procedure.....	9
6.1 The reference framework	10
6.2 Quantitative Analysis: measurements and data aggregation	11
6.2.1 Construction of Best-in-class ratings:	11
6.2.2 Construction of Best Effort ratings:.....	12
6.2.3 Revision of ratings:	12
6.3 Qualitative analysis	12
7. Responsible Value investment policy	12
7.1 A comprehensive integrated management process.....	12
7.2 Exclusion policy	14
8. Transparency for investors.....	14
8.1 Regulatory documents	14
8.2 ESG / SRI documents.....	15

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

1.1 Definition

According to the ISO 26000 standard, Corporate Social Responsibility is defined as the company's responsibility for the impact of its decisions and activities on society and the environment, resulting in transparent and ethical behaviour that:

- contributes to sustainable development, including health and well-being in society
- takes stakeholder expectations into account
- complies with the law and is compatible with international standards
- is incorporated throughout the organization and implemented in its business relations.

In order to set the limits of the scope of the CSR policy, identify the relevant areas of action and set priorities, the company has for example to cover the following topics (non-exhaustive list): the governance of the organization, respect for human rights, relations and work conditions, environment, fair practices, diversity, and equal opportunities in recruitment, relations with providers and suppliers, etc.

For an asset management company, these issues have to be addressed with regard to both the company itself and the companies in which it invests.

1.2 Objective of our CSR policy

The METROPOLE Gestion CSR policy aims to address the various aspects of sustainable development, which creates value and is useful to society in the long term.

It presents the measures adopted at company level as well as our Responsible Value investment policy, which encourages companies and issuers of securities in our portfolio to make improvements over time on the three main extra-financial themes: Environment / Social / Governance (ESG).

In fact, as a company committed to Responsible Value management and a pioneer of ESG since 2008, METROPOLE Gestion attaches great importance to consideration of and compliance with ESG criteria by issuers and companies. We are convinced that the levers for sustainable development lie first and foremost in our day-to-day role as investors.

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 Encouragement to respect the environment

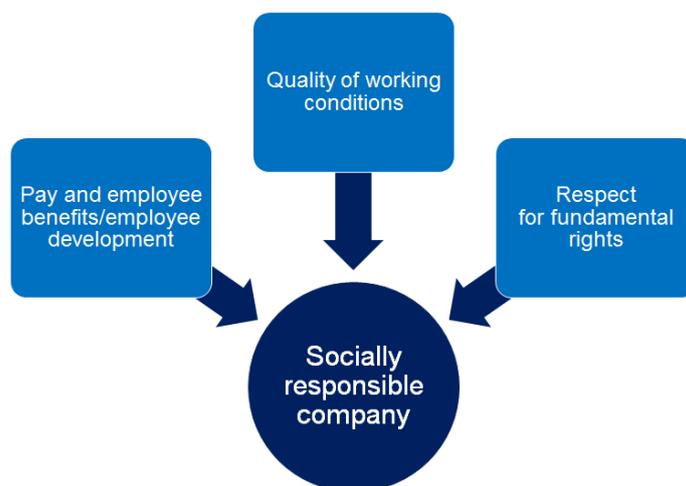
The implementation of best practices within the company to protect the environment has resulted in:

- **Energy and paper savings** (30% decrease in paper consumption since 2008, progressive introduction of electronic versions of meeting media internally and externally).
- **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.)
- **Compensation of CO₂ emissions related to travel**. The agency in charge of booking air tickets is instructed to pay or make a donation to offset travel-related emissions whenever this option is offered by the airlines. This offset donation finances sustainable development projects. A review of the actions and our contribution is carried out annually with the agency.

Furthermore, in 2018, METROPOLE Gestion will conduct its first carbon assessment, in order to identify areas for improvement, and reduce both its CO₂ emissions and its impact on the environment and the climate.

3.2 Social indicators

METROPOLE Gestion has an HR dashboard that includes social indicators, which are closely monitored by the General Management and Human Resources. It is based on 3 pillars:



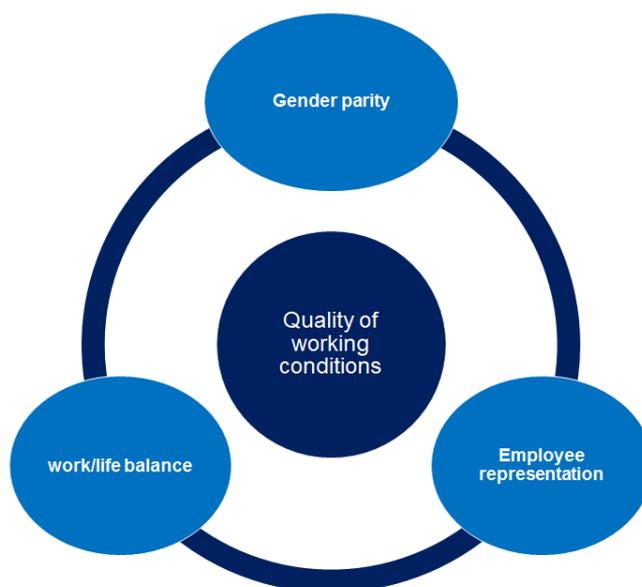
These indicators focus on:

- **The quality of work conditions:** comfort and ergonomics in the working environment, work / life balance, monitoring key HR indicators (turnover rate, number of workplace accidents, sickness absenteeism, job creation).

- **Compensation and benefits, as well as employee development:** profit-sharing agreements, employee share ownership plan, social protection with high-quality healthcare cost cover, contribution to funding training, social and cultural works through the works council.
- **Responsible employment:** the General Management and Human Resources attach particular importance to respecting 2 fundamental principles during the recruitment process: equal opportunities (equivalent level of skills and experience) and non-discrimination. Whatever the department and the position concerned, the recruitment process includes at least one interview with the systematic presence of the Human Resources Manager and a validation interview with the presence of at least two members of the General Management, which guarantees these 2 principles are respected. In addition, METROPOLE Gestion is committed to creating sustainable jobs and gives priority to recruiting for permanent positions (in 2017, 15 new people were hired, 13 of whom were on permanent contracts).

3.3 Respect for human rights

METROPOLE Gestion attaches particular importance to and constantly monitors respect for human rights.



In concrete terms, the measures adopted by the company relate to:

- **Respect for gender equality** (50% of women in General Management, more than 50% of managers are women).
- **The establishment of a works council**, although the company has fewer than 50 employees.
- Establishment of a **charter for all employees governing the right to disconnect and work / life balance**.

As a representative of the General Management, Human Resources ensures human rights within the company are respected on a daily basis.

3.4 METROPOLE Gestion societal actor: a citizen in its own right

The company has been sensitive to its role as a societal actor since it was first set up. Hence at a very early stage METROPOLE Gestion undertook the following actions:

- **Support for the "METROPOLE Solidarité" association** set up in 2005 to finance actions in the fields of culture, the dissemination of knowledge and economic knowledge, and youth.
- **Cultural patronage:** METROPOLE Gestion is currently a patron of the Musée du Louvre and Réunion des Musées Nationaux-Grand Palais endowment fund. It has also been a patron of the Musée des Confluences in Lyon and the Musée du Quai Branly.
- **Founding member of and funding for the "Value and CSR" research chair** at Université d'Auvergne: academic collaboration with Université d'Auvergne provides a long-term answer to the issue of the societal responsibility of business and value creation. In 2012, it was reinforced by the launch of the "Value and Corporate Social Responsibility" research chair, of which METROPOLE Gestion is a founding partner alongside Michelin, Caisse d'Epargne d'Auvergne and Limousin, and Maif. The main goal is to link market value and socially responsible corporate 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 d'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 the METROPOLE Value SRI fund in 2008

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

This fund, taking ESG criteria into account in the investment policy and managed exclusively on the basis of our SRI methodology, held the NOVETHIC SRI label from 2010 to 2015.

4.3 METROPOLE Gestion: signatory to the UNPRI in 2009

In 2009, METROPOLE Gestion became a signatory to the UNPRI, which concretely translates as an undertaking 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.

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 works 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. METROPOLE Gestion, which has been a signatory to the UNPRI since 2009, may also support the engagement initiatives proposed by investors via the UNPRI Clearing House platform.

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 of 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 more than 450 company visits a year. Companies held in portfolios are seen on average 3 to 4 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 2018 engagement report are accessible via our website.

6. Our ESG analysis procedure

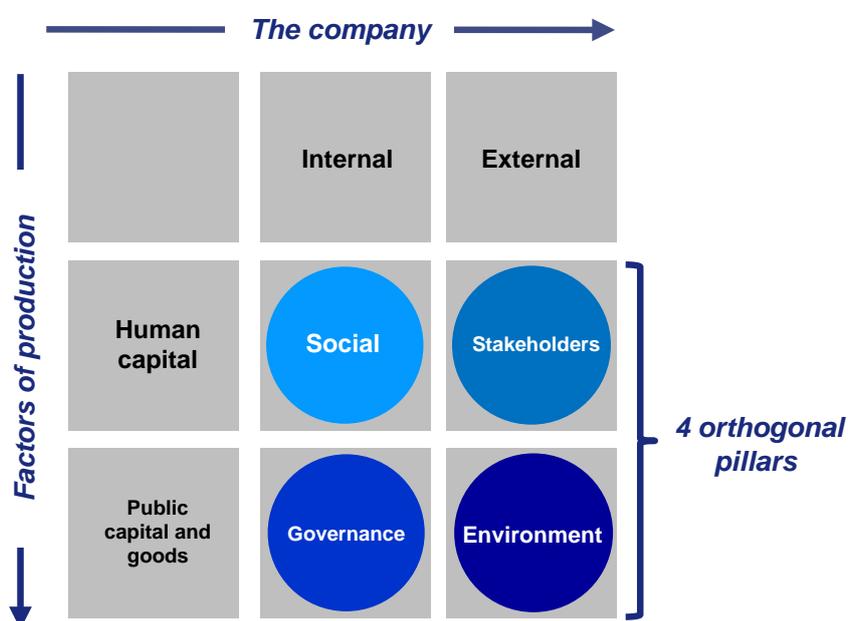
The funds METROPOLE Gestion manages are subject to a 360 degree corporate analysis procedure that considers three aspects: extra-financial analysis, financial analysis, and balance-sheet analysis.

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 methodological foundation built in the framework of our academic collaboration with Université d'Auvergne.

6.1 The reference framework

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



The grid is based on two axes: Internal - External / Human Capital - Public assets and capital that define four pillars:

These 4 pillars are equally weighted. They are then broken down into sub-pillars that are exhaustively analysed:

Environment: measuring the impact of the company's activities on the ecosystem.

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

Social: measuring the impact of the company's activities on its human resources.

- Human rights
- Quality of working conditions (hardship, health and safety at work, etc.)
- Employee development and precariousness (compensation, training and advancement, etc.)

Governance: measuring the quality of relations between management, shareholders and board of directors.

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

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

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

6.2 Quantitative Analysis: measurements and data aggregation

We use the Eikon database (Refinitiv, formerly Thomson Reuters), one of the largest extra-financial databases (4,700 companies worldwide) with stable data over time, which combines official corporate data (annual reports, sustainable development reports) and controversies originating from news agencies.

On the basis of this data, we build 150 indicators that measure each element in the reference framework, giving priority to the results in comparison with the resources employed (weighting 75% - 25%).

Our method for analysing ESG criteria aims to select 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 are used to establish a ranking for the company in its sector and are standardized to determine a score of 0 to 100%.

These scores are then aggregated to give a score to each of the equally weighted environment, social, governance and stakeholder pillars.

The results obtained for each pillar are again aggregated and normalized to establish overall scores of 0 to 100%.

These overall scores are divided into several groups rated AAA + to CCC-.

6.2.2 Construction of Best Effort ratings:

An issuer's overall rating is associated with a Best Effort rating. This is calculated on the basis of the change in the overall score over the previous 3 years, with progressive coefficients (the last year has a coefficient of 3). Companies in each sector are ranked and divided into 5 groups ranging from 1 to 5 stars (5 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 revised annually.

6.3 Qualitative analysis

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

- **Consideration of current controversies**

All the controversies relating to stocks held in the portfolio are fed back and monitored weekly.

On new companies studied, controversies are analysed over the last three years in addition to the quantitative score.

- **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**

The dialogue with companies is through interviews with CSR managers and company managers (at least once a year for portfolio companies), which provide the opportunity to look in greater detail at the identified risks, pinpoint unidentified risks during the rating process and develop the company's strategy.

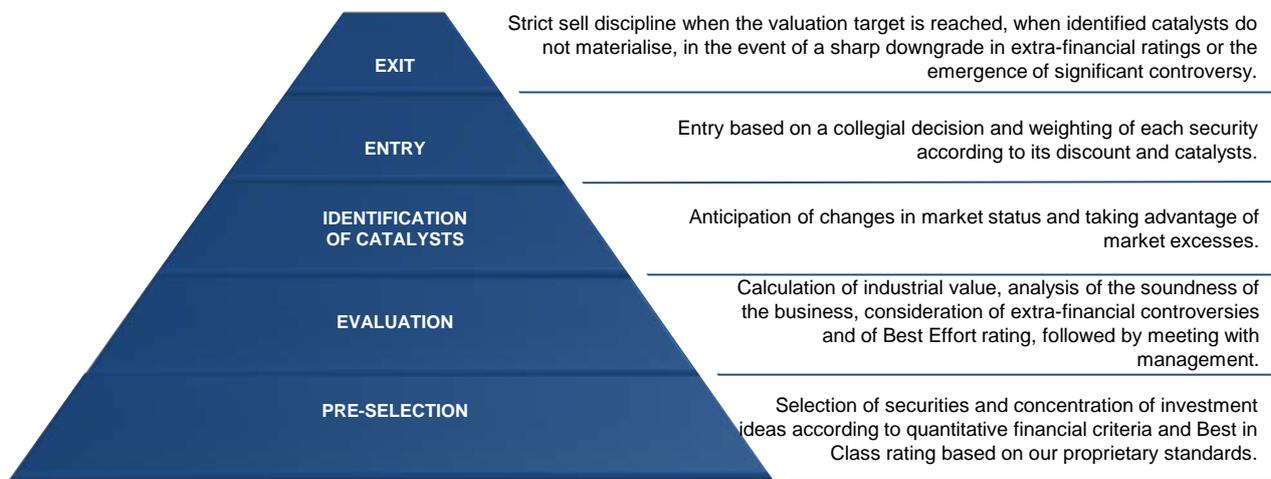
7. Responsible Value investment policy

METROPOLE Gestion adopts a Socially Responsible Investment (SRI) approach for the management of the METROPOLE Euro SRI fund.

Our SRI approach is in line with our value management process: breaking free of short-termism to generate outperformance.

7.1 A comprehensive integrated management process

Our Responsible Value management process is a comprehensive integrated process. The diagram below summarizes the steps:



We select shares presenting:

- a discount in relation to their industrial value
- sound financial health in line with their activity and the economic cycle
- demonstrating strong extra-financial conviction: 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 choice is modulated on the basis of:

- financial catalysts
- extra-financial catalysts: new controversies or changes in the extra-financial rating.

We remove the shares from the portfolio or reduce the weighting in the event of:

- downgrading of the extra-financial analysis (significant controversies or rating downgrade)
- disappearance of catalysts
- reduction in financial discount.

Handling major controversies:

A controversy rating system has been established to quantify their significance. A score of 1 is attributed for very high risk and 10 for low risk. The rating covers 4 areas:

- the nature of the risks involved for the company (loss of a key competence, loss of market / image shares, recurrence, etc.)
- the response and / or solution adopted by the company.
- the quantified assessment of the damage.

- consideration of the controversy in the light of the history of the company and its industry.

If the final score is low (very high risk), the stock is sold. Otherwise, the company is placed on watch and / or the weight of the position is reduced.

Our Responsible Value management process aims to maintain a higher weighted average ESG rating for the portfolio than that of euro zone listed companies with a market capitalization of more than € billion (around 280 companies), from which the 20% lowest ratings are removed.

7.2 Exclusion policy

As provided by the international conventions (Oslo Convention and Ottawa Convention), METROPOLE Gestion has introduced a policy that provides for the exclusion of companies with direct or indirect links to financing controversial weapons.

This exclusion policy applies to our entire range of funds.

For METROPOLE Gestion, the exclusion targets:

- all the portfolios managed by METROPOLE Gestion, investment in securities issued by these companies and exposure to these securities via derivatives whose single underlying asset is the company concerned
- knowingly offering an investment service to a company on the list of excluded companies.

The METROPOLE Gestion exclusion list is based on a list published annually by the PAX organization (<http://www.paxforpeace.nl/>), a player recognized for its engagement against controversial weapons.

The list of companies targeted by the exclusion list is reviewed annually and when updated lists are published by PAX.

Our exclusion policy is available on our website.

8. 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.

8.1 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

8.2 ESG / SRI documents

The documents and reports below give information about our SRI approach:

- SRI newsletter (3 times a year)
- AFG / FIR / EUROSIF transparency code which METROPOLE Gestion has been a member of since 2010
- CSR policy
- Annual CSR report (available early 2019)
- Engagement policy
- Engagement report (available early 2019)
- Exclusion policy
- Policy for considering ESG criteria in the risk management and control policy