



METROPOLE *Gestion*[®]
RESPONSIBLE VALUE INVESTMENT

Transparency code AFG-FIR Eurosif

METROPOLE Gestion

2019

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1 List of funds covered by the Transparency Code

This code applies to the equity sub-funds of METROPOLE Funds, an investment company with variable capital (SICAV) open to the public.

Fund	Asset class	Assets under management as at 31/12/2019	Dominant strategies	Exclusions	Label
METROPOLE Sélection	Equities from countries of the European Union	€730.8m	ESG integration Best-in-class Best effort Impact engagement	- Securities of companies involved in the production of controversial weapons.	-
METROPOLE Euro SRI	Equities from eurozone countries	€126.1m	ESG integration Best-in-class Best effort Impact engagement	- Tobacco - Coal: mining companies for which coal accounts for over 30% of revenue and companies with over 30% of energy production sourced from coal	
METROPOLE Avenir Europe	Equities from countries of the European Union	€50.5m	ESG integration Best-in-class Best effort Impact engagement	- Pornography	-

2 General information about METROPOLE Gestion

2.1 METROPOLE Gestion

An entrepreneurial asset management company approved by the AMF since 21/10/2002 (approval no. 02/026), METROPOLE Gestion is French *société anonyme* with share capital of 1,200,000 euros, based at 9, rue des Filles St Thomas, 75002 Paris, France.

Website: www.metropolegestion.com

2.2 History of METROPOLE Gestion

Since its founding, METROPOLE Gestion has applied a process of total commitment to social, environmental and governance issues throughout the company. This approach is set out in our policy on Corporate Social Responsibility (CSR).

CSR Policy: http://doc.metropolegestion.fr/pdf/MG_CSR_Policy_2019.pdf

It is applied on a day-to-day basis to all of the company's activities:

- **Promotion of respect for the environment**

- Energy and paper savings (paper consumption reduced by 30% since 2008);
- Recycling (paper, plastics, ink cartridges, batteries, etc.);
- Incorporation of social and environmental criteria within supplier specifications (PEFC certified paper, electricity consumption fully offset by production from renewable resources, etc.).

- **Labour relations indicators**

- Quality of working conditions: comfort and ergonomics of the working environment, work-life balance, monitoring of key indicators (turnover, work accidents, sick leave, job creation);
- Compensation and benefits, employee development: incentive plans, employee shareholding programme, high level of social protection, contributions to the funding of training, existence of a social and economic council;
- Responsible and sustainable employment: equality of opportunity and non-discrimination during recruitment. Over 90% of employees are recruited on permanent employment contracts. 100% of new posts are covered by permanent employment contracts.

- **Respect of fundamental rights**

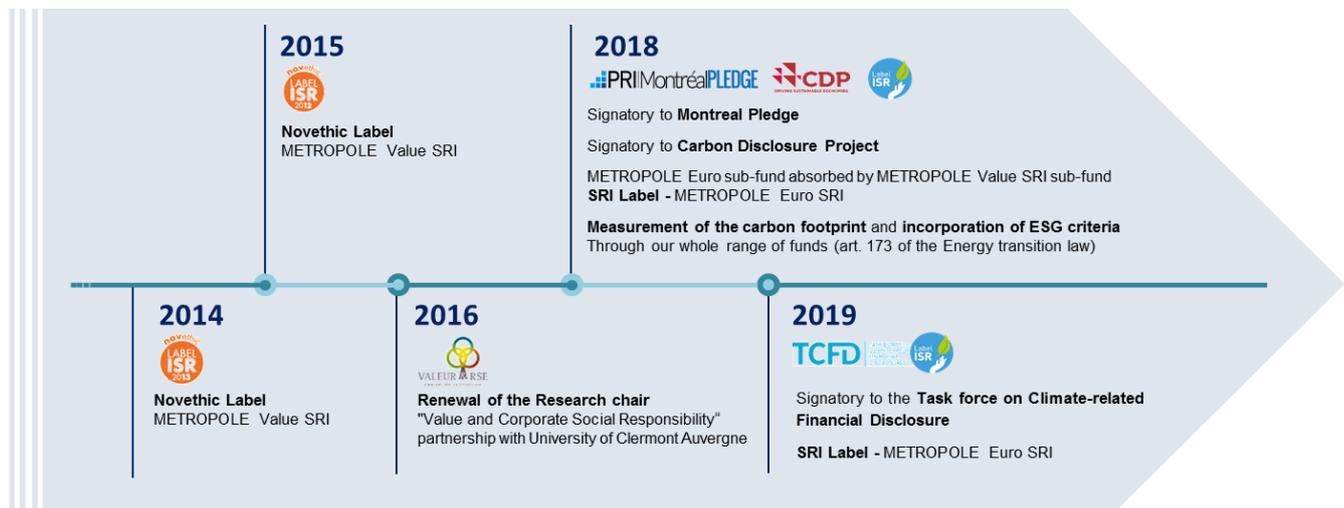
- Gender equality (50% of senior managers are women), over 50% of managers are women);
- Existence of personnel representatives (works council and personnel delegates);
- Charter on the right to disconnect, work-life balance.

- **METROPOLE Gestion – socially responsible and a fully-fledged corporate citizen**

- Support for the charitable association METROPOLE Solidarité, founded in 2005 to fund initiatives in the fields of culture, youth and the dissemination of economic know-how and understanding;
- Cultural philanthropy: Louvre Museum endowment fund, Rmn-GP (Réunion des Musées Nationaux-Grand Palais), Musée des Confluences, Musée du Quai Branly;

- Founding member and funding of the "Value and CSR" research chair at the Clermont Auvergne University.

In addition to the measures implemented within the company, in 2008 METROPOLE Gestion integrated within its management policy a Responsible Value approach, encouraging issuers of the securities held within the portfolios to make sustainable improvements in terms of non-financial ESG issues. We are convinced that we can best promote sustainable development by focussing on our day-to-day investment activities.



2.3 Our responsible investment approach in action

The responsible investment approach of METROPOLE Gestion emanates from its founding values.

Implementing a Value management style means investing in companies that have been discounted vis-à-vis their industrial value and therefore tend to be neglected by the financial markets. It necessarily calls for particular vigilance regarding the risks inherent to such companies – not only the financial risks but also governance, social and environmental risks. In 2008, therefore, METROPOLE Gestion launched a Value and SRI style eurozone equities fund and subsequently established a partnership with the Clermont Auvergne University in order to apply academic rigour to the analysis of the ESG risks inherent to the companies, at a time when company reports on such matters were in their infancy and the associated responsibilities were poorly defined. In collaboration with the Clermont Auvergne University, METROPOLE Gestion therefore established a quantitative company rating methodology exploiting ESG criteria, covering some 150 fundamental indicators broken down into 4 analytical themes, namely Environment, Social, Governance and Stakeholders.

In addition to the risks companies face in these areas, we believed it was essential to encourage them to improve by adopting a responsible and sustainable approach to growth. We therefore apply a best-in-class and best effort methodology, engage with the companies from the very outset, integrate these criteria in the exercise of our voting rights and maintain direct dialogue with them.

In order to extend our approach and encourage academic research into such issues, since 2012 METROPOLE Gestion has funded a research chair at the Clermont Auvergne University Foundation to enable young researchers to work on ESG issues.

Research Chair: <https://chaire-valeur-et-rse.fr/>



The METROPOLE Gestion approach is detailed in its CSR policy published on the company's website.

CSR Policy: http://doc.metropolegestion.fr/pdf/MG_CSR_Policy_2019.pdf

Since its founding, METROPOLE Gestion has always believed that exercising voting rights on behalf of our clients forms an integral part of establishing a dialogue with the companies, encouraging them to develop their ESG practices. Over the years we have also observed companies increasing propensity to give full consideration to shareholders' votes and to establish dialogue with their investors.

The analysis of resolutions and the implementation of votes are monitored by the METROPOLE Gestion fund management team with the support of the analytics firm ISS.

Voting Policy: http://doc.metropolegestion.fr/pdf/Voting_Policy_02_2019.pdf

In addition to exercising voting rights, the fund management team of METROPOLE Gestion has always maintained dialogue with the companies in which it invests on behalf of its clients, by meeting not only the companies' CSR managers but also their CEOs and CFOs in order to assess their commitment to the sustainable development of their company. Over and above the process of direct dialogue with the companies, more recently METROPOLE Gestion commenced an annual process of

thematic dialogue covering specific topics that are addressed by each company that is met. Lastly, through the auspices of the CDP (Carbone Disclosure Project), METROPOLE Gestion engages with companies within the framework of collective engagement designed to exert greater influence over their activities, notably in terms of their climate action.

This approach is developed in our Engagement policy and an Engagement Report is published every year.

Engagement Policy: http://doc.metropolegestion.fr/pdf/MG_Engagement_Policy.pdf

Engagement Report: http://doc.metropolegestion.fr/pdf/Engagement_report.pdf

METROPOLE Gestion has always applied a best-in-class and best effort approach to encourage companies to evolve towards sustainable development. In this regard, METROPOLE Gestion does not favour systematic exclusion preventing any form of dialogue with excluded companies, given the necessity of transition in certain sectors where alternatives are still in their infancy. We have nevertheless adopted a targeted exclusion policy fully in keeping with our policy of ESG engagement, focussing on all the Sustainable Development Goals of the United Nations, notably in terms of respect for human dignity, the environment and the objectives of the Paris Climate Agreement.

It is designed to exclude controversial weapons, the production and consumption of coal, tobacco producers and pornography.

Exclusion Policy: http://doc.metropolegestion.fr/pdf/Sector_exclusion_policy.pdf

2.4 Risk management and ESG opportunities

It is our conviction that a company should only be assessed holistically.

Whereas financial analysis has traditionally been the only lens through which the risks and opportunities of individual companies are viewed, faced with the rising social, environmental and climate risks it is inconceivable in the current age not to integrate these factors alongside purely financial risks.

Moreover, such risks can give rise to considerable financial risks for companies. In addition to analysing and incorporating ESG risks, we are also convinced that it is our responsibility as investor on behalf of our clients to encourage companies to implement a responsible approach in order to ensure that their growth objectives are sustainable in social, environmental and climate terms, thereby opening up new development and growth opportunities.

In 2008, METROPOLE Gestion therefore implemented a 360° approach to company analysis taking into account three aspects: non-financial analysis, financial analysis and balance sheet analysis.

This approach enables us to assess the ESG risks inherent to each individual company and also to measure the opportunities available to them as they convert to sustainable growth.

In this context, METROPOLE Gestion does not seek to favour theme funds but, on the contrary, and via its investments on behalf of its clients, to encourage all economic operators to embark on a transition process towards sustainable growth.

METROPOLE Gestion therefore assesses companies via a rating, but also assesses any controversy that may emerge and pose new risks. The resultant risk level calls for a management decision ranging from close monitoring to immediate divestment of the security subject to a major controversy, but only after dialogue with the company. Such assessment covers risks as varied as:

- Management commitment
- Reputational and image risk
- Recidivism
- The company's responsiveness
- Internal sanctions
- Process modifications
- Quantification: notably potential fines, loss of market share and required investments

Among the controversies considered to be major are fraudulent collusion, health and environmental scandals, conduct undermining human rights and corruption.

METROPOLE Gestion attaches particular importance to the risks and opportunities relating to climate change. Over 20% of the indicators established by the fund management team relate to the issues of climate change. One form of our thematic engagement with companies consists of analysing their policy on reducing carbon emissions, with the objective of aligning with the 2°C pledge of the Paris Climate Agreement.

METROPOLE Gestion produces ESG performance indicators in the impact reports specific to the sub-funds METROPOLE Sélection, METROPOLE Euro SRI and METROPOLE Avenir Europe. Four indicators are monitored over time, notably measurement of the portfolios' CO2 emissions.

METROPOLE Gestion also supports multiple international initiatives, being a signatory not only of the UNPRI since 2009 but most notably of the Carbon Disclosure Project (CDP) in 2018, and by making a collective commitment with other investors on questions relating to climate change. Similarly, in 2018 METROPOLE Gestion signed the Montreal Carbon Pledge and in 2019 the Task Force on Climate-Related Financial Disclosures (TCFD).

2.5 Personnel and resources

Driven by its convictions, METROPOLE Gestion decided to break down the traditional barriers within investment companies between fund management teams and financial analysts on the one side, and ESG on the other.

In a similar manner as adopted during meetings with the companies, we question management on CSR issues, and not only personnel devoted to such matters, our traditional fund management and financial analysis team also being responsible for ESG management and analysis of the companies to ensure that the trajectory of results is always compatible with a sustainable development.

The multidisciplinary fund management team is therefore composed of 7 senior managers in equity analysis. The team works in collaborative mode and a fund management committee sits on a weekly basis in order to formalise the management decisions.

The fund management team



Isabel LEVY

Managing Director
Chief Investment Officer
Member of SFAF (2001)
Entered the industry in 1984
Founder of METROPOLE Gestion



Ingrid TRAWINSKI

Managing Director
Co-Chief Investment Officer, Partner
Member of SFAF (2000)
Entered the industry in 1997
Joined METROPOLE Gestion in 2007



Deputy Managing Director
Co-Director of Fund Management, Partner
Member of SFAF (2002)
Entered the industry in 1999
Joined METROPOLE Gestion in 2005



Fredrik BERENHOLT

Portfolio Manager, Partner
CFA (2003)
Entered the industry in 1991
Joined METROPOLE Gestion in 2006
Cédric HERENG



Jérémy GAUDICHON

Portfolio Manager, Partner
Member of SFAF (2017)
Entered the industry in 2001
Joined METROPOLE Gestion in 2015



Markus MAUS

Portfolio Manager, Partner
Member of DVFA (2001)
Entered the industry in 1999
Joined METROPOLE Gestion in 2003



Thibault MOUREU

Portfolio Manager, Partner
CFA (2013)
Entered the industry in 2006
Joined METROPOLE Gestion in 2014

* SFAF: French Society of Financial Analysts

CFA: Chartered Financial Analyst

DVFA: Deutsche Vereinigung für Finanzanalyse und Asset Management, German Society of Financial Analysts

The control framework is applied by the 3-person permanent control team and by a dedicated periodic control officer. They ensure that current regulations on sustainable development are effectively applied in terms of our own policies, industry labels, legal reporting requirements and transparency undertakings.

The commercial and reporting teams receive ongoing training in order to be able to permanently respond to our clients' evolving demands in complete transparency.

Technical and analytical tools have been introduced and are exploited and enhanced by the teams on a day-to-day basis.

- 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.
- The data we collect is fed into our in-house ESG analytical model developed in collaboration with the Clermont Auvergne University, which enables us to quantitatively rate all of the companies based on a best-in-class and best effort approach. Similarly, any controversies are analysed on a weekly basis and major controversies are analysed quantitatively.
- All ratings are directly linked with our SimCorp Dimension portfolio management solution (PMS) to ensure that fund managers are able to exploit all the information (ratings, pre-trade controls, global portfolio ratings, etc.).
- All of the data collected is exploited to complete preparatory information sheets supporting the qualitative work carried out prior to direct dialogue with the companies (approximately 500 meetings each year).

- All internal policies, legal reporting obligations, transparency undertakings and labelling requirements are regularly reviewed by the fund management team and permanent control team.

2.6 International initiatives

METROPOLE Gestion has committed itself as signatory to multiple international initiatives.

- UNPRI in 2009: <https://www.unpri.org/> 

2019 UNPRI Report:

http://doc.metropolegestion.fr/pdf/Public_Transparency_Report_METROPOLE%20Gestion_2019.pdf

- Carbon Disclosure Project (CDP) in 2018: <https://www.cdp.net/en> 
- Montreal Carbon Pledge in 2018: <https://montrealpledge.org/>  Montréal **PLEDGE**
- TCFD in 2019: <https://www.fsb-tcf.org/tcf-supporters/> 

2.7 Total SRI assets under management

As at 31 December 2019, the ESG/SRI assets under management stood at €1,809.3m – 84.8% of total assets managed by METROPOLE Gestion.

2.8 SRI funds

On its website www.metropolegestion.com, METROPOLE Gestion publishes a list of funds open to the public and makes available to investors all annual and periodic documentation for every sub-fund:

- METROPOLE Sélection
- METROPOLE Euro SRI
- METROPOLE Avenir Europe

3 General data on the SRI funds covered by the Transparency Code

3.1 Objectives:

METROPOLE Sélection

Launched on 29 November 2002, the METROPOLE Sélection sub-fund has the following main characteristics:

Legal form	SICAV
Launch date	29/11/2002
AMF classification	Equities of countries of the European Union
Benchmark index	STOXX Europe Large 200 net dividends reinvested
Minimum initial subscription	1 share
Minimum subsequent subscription	1 hundred thousandth of a share
Target subscribers	All subscribers
A share class	
ISIN code	FR0007078811
Management fees (inc VAT)	1.5% max.
Subscription fee	4.0% max.
P share class	
ISIN code	FR0010988758
Management fees (inc VAT)	2.0% max.
Subscription fee	4.0% max.
Performance fee	15% over and above STOXX Europe Large 200, net dividends reinvested
D share class	
ISIN code	FR0010988766
Management fees (inc VAT)	1.5% max.
Subscription fee	4.0% max.
W share class	
ISIN code	FR0011468602
Management fees (inc VAT)	0.85% max.
Subscription fee	4.0 % max.
B share class	
ISIN code	FR0011412592
Management fees (inc VAT)	1.7% max.
Subscription fee	4.0% max.
USD Hedged share class	
ISIN code	FR0012068492
Management fees (inc VAT)	2.0% max.
Subscription fee	4.0% max.

The objective of METROPOLE Sélection over a 5-year period is to achieve superior performance to that of its benchmark, namely the STOXX Europe Large 200 net dividends reinvested.

The strategy is essentially composed of selecting European securities in order to offer investors a sub-fund with favourable development potential in the geographical region of the European Union, Switzerland and Norway.

The strategy exploited consists of selecting discounted securities via rigorous analysis of the balance sheets of the companies in question, supported by the knowledge and experience of the management team and a process designed to detect one or more catalysts likely to reduce the discount within 18 to 24 months.

Such catalysts are constituted by one or more specific factors via which the market will come to realise that the company has been mis-assessed, such as restructuring or asset disposal.

European equities are selected on the basis of issuer quality and level of ESG integration, yet to be fully appreciated by the market.

Accordingly, the fund may invest in companies of all market capitalisations as opportunities present themselves and in companies not forming part of the STOXX Europe Large 200 index.

Excluded from the sub-fund's investment universe are the securities of companies involved directly or indirectly linked to the financing and producing of controversial weapons, as provided for by international conventions, mining companies that generate more than 30% of their revenue through coal production, energy-producing companies with more than 30% of its production coming from coal, companies linked to tobacco production and companies linked to pornography.

METROPOLE Euro SRI

Launched on 9 July 2008, the METROPOLE Euro SRI sub-fund has the following main characteristics:

Legal form	SICAV
Launch date	09/07/2008
AMF classification	Equities of eurozone countries
Benchmark index	EURO Stoxx Large 200 net dividends reinvested
Minimum initial subscription	1 share
Minimum subsequent subscription	1 hundred thousandth of a share
Target subscribers	All subscribers
A share class	
ISIN code	FR0010632364
Management fees (inc VAT)	1.5% max.
Subscription fee	4.0% max.
W share class	
ISIN code	FR0013185055
Management fees (inc VAT)	0.85% max.
Subscription fee	4.0% max.

The objective of METROPOLE Euro SRI over a 5-year period is to achieve performance superior to that of its benchmark, namely the EURO Stoxx Large net dividends reinvested.

The strategy is composed of selecting eurozone securities in order to offer investors a sub-fund of shares with favourable development potential in the geographical region of the eurozone.

The strategy exploited consists of selecting discounted securities via rigorous analysis of the balance sheets of the companies in question, supported by the knowledge and experience of the management team and a process designed to detect one or more catalysts likely to reduce the discount within 18 to 24 months, in addition to meeting socially responsible criteria with the objective of improving the environmental, social and governance practices within the companies in which the fund invests, whether now or in the future.

Such catalysts are constituted by one or more specific factors via which the market will come to realise that the company has been mis-assessed, such as restructuring or asset disposal.

The socially responsible catalysts are analysed from four angles:

- The company's governance policy
- Respect for the environment
- Management of human capital
- Relations with and management of the various stakeholders (suppliers, customers and local communities), regulatory compliance.

The methodology adopted by METROPOLE Gestion for the METROPOLE Euro SRI fund is designed to select European companies above their sector average vis-à-vis ESG criteria (best-in-class approach) or which demonstrate the strong desire to improve in these areas (best effort approach).

The approach is supplemented by:

- Systematic visits to the selected companies: meetings held with the companies' CSR officers;
- Reconciliation of CSR issues with the company's objectives;
- Analysis of current controversies;
- Analysis of specific sectoral risks.

Mainly eurozone equities are selected in accordance with the intrinsic quality of the issuer and the extent to which they integrate ESG criteria, yet to be fully appreciated by the market.

The sub-fund mainly invests in securities with a market capitalisation over 5 billion euros. 10% of the assets may be invested in countries within the European Union but outside the eurozone and in Switzerland and Norway. The sub-fund may also invest as opportunity arises in securities not forming part of the EURO Stoxx Large index.

Excluded from the sub-fund's investment universe are the securities of companies involved directly or indirectly linked to the financing and producing of controversial weapons, as provided for by international conventions, mining companies that generate more than 30% of their revenue through coal production, energy-producing companies with more than 30% of its production coming from coal, companies linked to tobacco production and companies linked to pornography.

For the **METROPOLE Euro SRI sub-fund**, **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.

METROPOLE Avenir Europe

Launched on 29 November 2002, the METROPOLE Avenir Europe sub-fund has the following main characteristics:

Legal form	SICAV
Launch date	29/11/2002
AMF classification	Equities of countries of the European Union
Benchmark index	STOXX Europe Small 200 net dividends reinvested
Minimum subscription	1 share
Minimum subsequent subscription	1 hundred thousandth of a share
Target subscribers	All subscribers
A share class	
ISIN code	FR0007078829
Management fees (inc VAT)	1.5% max.
Subscription fee	4.0% max.

The objective of METROPOLE Avenir Europe over a 5-year period is to achieve performance superior to that of its benchmark, namely the EURO Stoxx Small net dividends reinvested.

The strategy is composed of selecting European securities in order to offer investors a sub-fund of shares with favourable development potential in the geographical region of the European Union, Switzerland and Norway.

The strategy exploited consists of selecting discounted securities via rigorous analysis of the balance sheets of the companies in question, supported by the knowledge and experience of the management team and a process designed to detect one or more catalysts likely to reduce the discount within 18 to 24 months.

Such catalysts are constituted by one or more specific factors via which the market will come to realise that the company has been mis-assessed, such as restructuring or asset disposal.

Mainly European Union, Swiss and Norwegian equities are selected in accordance with the intrinsic quality of the issuer and the extent to which they integrate ESG criteria, yet to be fully appreciated by the market. The sub-fund mainly invests in securities with a market capitalisation between 100 million and 4 billion euros. The sub-fund may also invest as opportunity arises in securities not forming part of its benchmark, namely the EURO Stoxx Small 200.

Excluded from the sub-fund's investment universe are the securities of companies involved directly or indirectly linked to the financing and producing of controversial weapons, as provided for by

international conventions, mining companies that generate more than 30% of their revenue through coal production, energy-producing companies with more than 30% of its production coming from coal, companies linked to tobacco production and companies linked to pornography.

3.2 Internal and external ESG assessment resources

METROPOLE Gestion uses all available internal and external resources for the ESG assessment of the issuers constituting the investment universe of the managed funds.

- Eikon from Refinitiv

We use the Eikon database from Refinitiv which compiles raw data from the annual reports and sustainable development reports of over 5,000 companies worldwide, in addition to information on controversies notably emanating from press agencies. This data is fed into our in-house quantitative ESG assessment model and is also used to evaluate major controversies.

- ISS

METROPOLE Gestion also uses the agency ISS, which provides advisory services and implements the principles of our voting policy, including in the area of ESG.

- Meetings with the companies

The fund management team of METROPOLE Gestion meets some 500 companies each year to cover financial and ESG issues. The data collected is used to supplement our quantitative approach with qualitative analysis compiled for each company in our internal repository, maintained in a collaborative manner by the 7 members of the fund management team.

- Brokers' research

METROPOLE Gestion exploits brokers' research in an ad hoc manner, financed by the management company.

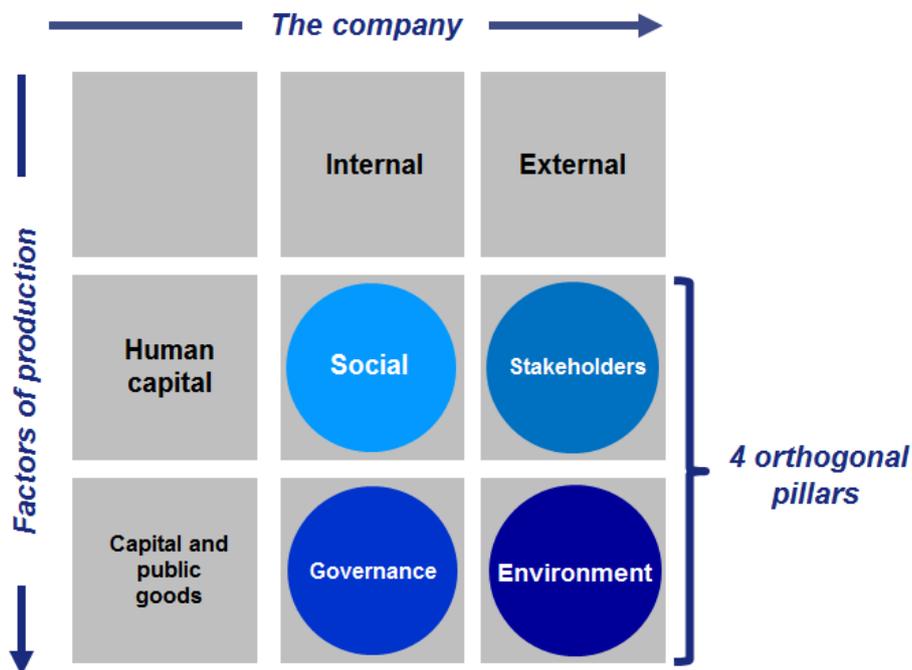
3.3 ESG assessment and analysis principles, criteria and methodology

Base methodology

In 2009 METROPOLE Gestion decided to establish a base methodology independently of the main ESG rating agencies by entering into an academic collaboration with the Clermont Auvergne University in order to create a company rating system specific to METROPOLE Gestion.

The fundamental architecture of the rating system is structured around 4 orthogonal pillars.

The matrix consists of two axes producing the 4 pillars: External/Internal and 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 the 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

A total of 150 indicators are taken into consideration and allocated to the 4 analytical pillars.

Our methodology is designed to select the best European companies in their sector in terms of ESG criteria (best-in-class approach), or which are striving to improve in these areas (best effort approach).

Data measurement 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%).
- Best-in-class rating

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 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 a global ratings between 0% and 100%.

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

- Best effort rating

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).

- Annual rating review.

The ratings are reviewed once each year when the companies' annual reports and sustainable development reports are published.

Quantitative ratings verified and supplemented by:

- Due consideration given to ongoing controversies:
 - All controversies relating to the securities held in the portfolio are collated and 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.
- Analysis of specific sectoral risks.
- 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.

The methodology is applied in the same manner regardless of the business sector, country or region. As the selected approach is a best-in-class approach, the companies are compared with each other within a given sector and the pertinence or otherwise of an indicator applies to the entire sector.

3.4 Climate change principles and criteria

A set of climate change indicators is integrated within our in-house model, the principles of which are set in the preceding section.

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. 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.

4 Management process

4.1 Portfolios constructed with due consideration given to the results of ESG research

Within the context of its fund management activities, METROPOLE Gestion has adopted a single global and integrated process: Responsible Value. The same management process is therefore applied to the funds covered by the Transparency Code.

Our 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 capitalisation, with the exception of those subject to the exclusions specified in our policy (controversial weapons, coal production or consumption, tobacco and pornography). Our eligible universe therefore constitutes the starting point for portfolio construction.

Financial analysis and the selection of discounted securities vis-à-vis their industrial value constitutes the second filter that once again narrows the universe.

Exploiting non-financial analysis, the third filter consists of supplementing the financial analysis by favouring the discounted companies with the best ratings in their business sector and discounted companies making the best efforts in terms of transition to better ESG practices. This approach not only limits potential risk, whether financial or, more specifically, relating to ESG, but also encourages the companies to accelerate their transformation toward sustainable growth and seize the opportunities created by such transformation.

Lastly, the catalysts likely to reduce the valuation discount and ESG controversies represent the final filter applied to the selection of securities that may constitute the portfolio.

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

The investment universe established accordingly may evolve as time progresses in line with valuation movements in the markets and ESG transformation at company level. The fund management team adjusts the investment universe on a daily basis.

The portfolio is constructed via a collaborative decision-making process by the entire fund management team, weighting each security in accordance with its discount, the quality of the company's balance sheet and its ESG qualities. Lastly, the fund management team applies a strict disposal policy if the valuation objectives are reached, if the quality of the company deteriorates in terms of ESG or in the event of a major controversy.

The management process can be portrayed as follows:

A global and integrated management process: The Responsible Value investing process

Pre-selection

Selection of undervalued stocks compared to their industrial value within a stock picking framework

- Filter of the European universe using for each business type the same valuation metrics as corporations do in their relevant sector. These metrics are referenced in our proprietary database of past mergers and acquisitions transactions.
- Filter of the resulting universe according to our proprietary Best-in-class / Best effort ESG rating taking into account our exclusion policy.

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.

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.

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 the **METROPOLE Euro SRI sub-fund**, **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.

This management process is applied to each fund subject to the Transparency Code as stated in the following table:

	Management style	ESG integration	Exclusions	Engagement	Impact (ESG performance measurement)	Average ESG rating of the portfolio	Minimum rating
METROPOLE Sélection	Stock picking Value All capitalisations Equities of countries of the European Union	Yes	Yes	Yes	Yes		
METROPOLE Euro SRI	Stock picking Value Large capitalisations eurozone	Yes	Yes	Yes	Yes	Higher than the universe of eurozone large cap equities less 20% of the worst ratings	Bucket CCC ruled out If Best-in-Class \leq BB+ then Best Effort \geq +++
METROPOLE Avenir Europe	Stock picking Value Capitalisations between €100m and €4,000m Equities of countries of the European Union	Yes	Yes	Yes	Yes		

4.2 Integration of climate change criteria within portfolio construction

Within the very construction of our investment universe ratings, a whole series of climate change indicators are taken into consideration by our in-house model, the principles of which are set out in sections 3-3 and 3-4.

35 indicators out of 150, i.e. 20% of the indicators we monitor relate to climate change criteria and are broken down into 4 analytical pillars.

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

The consideration given to these issues is therefore an integral part of the company rating process and, therefore, of the selection process and the very construction of the portfolios.

4.3 Non-analysed issuers

100% of the portfolio securities are rated and subjected to qualitative ESG analysis. Similarly, the METROPOLE Gestion fund management team maintains direct dialogue with 100% of the companies included in the portfolio within the context of its engagement policy.

4.4 Fund management history

METROPOLE Gestion has not fundamentally changed its management process, which is regularly adapted as the companies make progress in the area of CSR.

4.5 Investments in social economy organisations

METROPOLE Gestion only invests in listed companies and therefore does not invest in social economy organisations.

4.6 Securities lending/borrowing

METROPOLE Gestion does not conduct securities lending or borrowing in any of its funds.

4.7 Utilisation of derivatives

METROPOLE Gestion uses derivative financial instruments and financial contracts in METROPOLE Sélection subfund's USD Hedged share class. Since the USD is the reference currency, this share class will use over-the-counter derivatives with a view to systematically and fully hedging exposure (within the range of 95% - 105%) to currency risk (against the euro). The maximum commitment on these instruments is equal to the sub-fund's assets. These contracts (currency forwards or currency swaps) are governed by ISDA or FBF master agreements.

4.8 Utilisation of mutual funds

The element not invested in equities of the 3 sub-funds may be invested in UCITS shares or units of all types, up to a maximum of 10% of the sub-fund's assets.

METROPOLE Sélection, METROPOLE Euro SRI and METROPOLE Avenir Europe may only invest in French or European UCITS.

5 ESG control

The permanent control team is composed of 3 people:

- The CICO
- The Compliance Officer
- The Risk Officer

ESG issues are governed by a control policy entitled "Integration of ESG criteria within the risk and internal control management process", available on our website.

http://doc.metropolegestion.fr/pdf/Incorporating_ESG_criteria.pdf

Portfolio compliance controls in terms of the ESG rules fall into 3 categories:

Pre-trade controls:

- Verification of authorised investments against the themed exclusion policy;
- Verification of authorised investments against the ESG rating (for portfolios that impose limits).

Post-trade controls:

- Verification of authorised investments against the securities' ESG ratings, notably in the event of the rating having deteriorated (for portfolios that impose a limit).

Weekly controls:

- Verification that all portfolio securities are covered by an ESG rating;
- Verification of the overall rating of the portfolio (for portfolios that impose a limit).

Controls on compliance with the ESG commitments of METROPOLE Gestion are conducted annually:

- Exercise of voting rights;
- Meetings with issuers covering ESG;
- Integration of controversies;
- ESG information for shareholders (website, factsheet);
- Publication of mandatory documents (Engagement Report, Transparency Code)

6 Impact measurement & ESG reporting

6.1 Assessment of fund ESG quality

The funds subject to this Transparency Code are included in the calculation of an average ESG footprint calculation (average rating calculated for each portfolio), which can be compared to their benchmark.

The calculation is published in the monthly factsheet issued by the METROPOLE Euro SRI fund and is available on request for METROPOLE Sélection and METROPOLE Avenir Europe.

The carbon footprint of the 3 funds is also published in each monthly factsheet alongside the carbon footprint of their benchmark.

The carbon footprint is calculated in equivalent tonnes of CO₂ per year per million euros of revenue. The calculation covers Scope 1 and Scope 2 emissions.

Scope 1 (direct emissions) covers greenhouse gas (GHG) emissions directly associated with the manufacture of a product. For example, if the manufacture of a product uses oil, combusts fuel or gives off CO₂ emissions or methane, all such emissions are recorded under Scope 1.

Scope 2 (indirect emissions) covers GHG emissions associated with the energy consumption required for the product's manufacture (such as the electricity used to power the factories where the product is made).

6.2 Impact indicators

An annual report is published for all funds subject to this Transparency Code, available on our website and on request for METROPOLE Avenir Europe.

One indicator has been selected per pillar (Environment, Social, Governance and Stakeholders):

- CO2 emissions (equivalent tonnes of CO2 per year per million euros of revenue);
- Percentage of women managers;
- Integration of non-financial criteria within the compensation of senior management;
- Companies applying a policy to defend human rights.

Example of an annual impact report: <http://www.metropolegestion.com/documents/show/720/eng>

6.3 SRI management communication material

METROPOLE Gestion has implemented a series of policies covering our SRI management principles and a set of reports intended for investors.

All of this information can be viewed on our website.

Policies:

- [CSR](#)
- [Voting policy](#)
- [Engagement](#)
- [Responsible Value management](#)
- ESG control

Reports:

- [Annual report on the exercise of voting rights](#)
- [Annual engagement report](#)
- Annual impact report
- Monthly average ESG rating of the METROPOLE Euro SRI fund (monthly factsheet)
- Average carbon footprint of each portfolio (monthly factsheets)
- Reporting Article 173-VI of [METROPOLE Gestion](#), [METROPOLE Sélection](#) and [METROPOLE Euro SRI](#)
- [ESG information incorporated within the annual report](#)
- [UNPRI transparency report](#)

ESG research:

- Research chair "[Value and Corporate Social Responsibility](#)" partnership with University of Clermont Auvergne
- Publication of an SRI letter three times each year, accessible on our website

6.4 Report on the exercise of voting rights & engagement report

Each year we publish on our website our engagement report and a report covering the exercise of voting rights for all funds subject to this Transparency Code.

Report on the exercise of voting rights:

http://doc.metropolegestion.fr/pdf/Report_on_exercising_voting_rights.pdf

Engagement report: http://doc.metropolegestion.fr/pdf/Engagement_report.pdf