

As a company engaged in Responsible Value investment and a pioneer of ESG since 2008, it is of fundamental importance to METROPOLE Gestion that issuers and companies adopt and comply with ESG criteria.

Through its engagement policy, METROPOLE Gestion encourages companies and issuers of the stocks held in its portfolios to pursue sustainable improvements in three key extra-financial areas: Environment/Social/Governance (ESG).

As part of its management process, METROPOLE Gestion meets with over 450 companies a year. Interviews on ESG topics are held at least once a year for companies included in the portfolio. This dialogue enables us to have a clear understanding of the company's ESG issues, to look in greater detail at the risks identified, to pinpoint risks not identified during the ESG rating process and to influence corporate strategy.

As part of this dialogue, METROPOLE Gestion encourages companies towards greater ESG transparency, for example by publishing their ESG strategy, policies and results.

We integrate ESG criteria in the research for all of our portfolios.

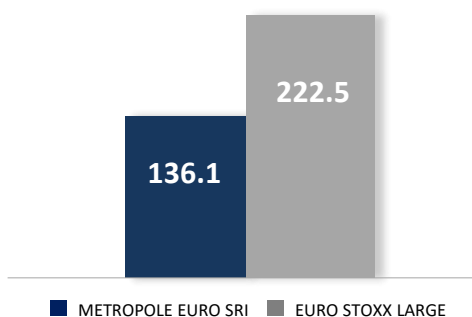
Our impact report is based on a selection of key indicators specific to each ESG theme, such as the inclusion of ESG criteria in the executive pay awards, CO₂ emissions, the proportion of women in management and the respect for human rights.

Our engagement approach to companies is built around three main components:

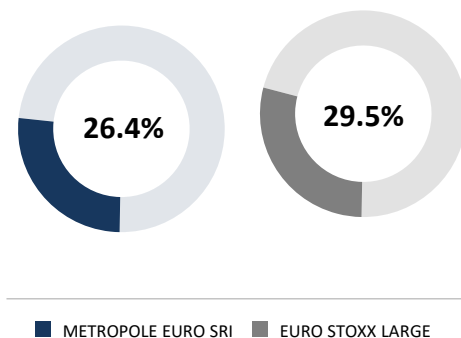
- Individual engagement with companies by means of:
 - ongoing dialogue with companies,
 - dealing with controversies in accordance with our procedure,
 - exercising the voting rights attached to stocks held in our portfolios, in accordance with a voting policy published on our website.
- Thematic engagement: each year, we decide on a particular subject to be addressed across all the companies we engage with, in order to reach at an overview.
- Collective engagement by joining with other investors in initiatives to encourage companies to adopt a responsible and sustainable approach in their business activities.

ESG PERFORMANCE INDICATORS

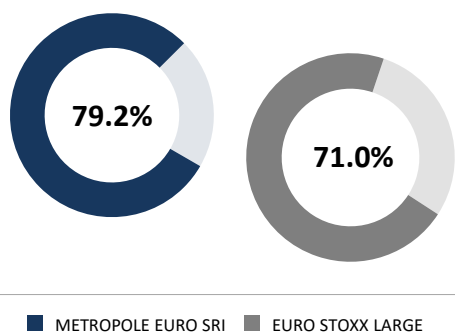
CO₂ EMISSIONS
(tCO₂ eq/m€ revenue)



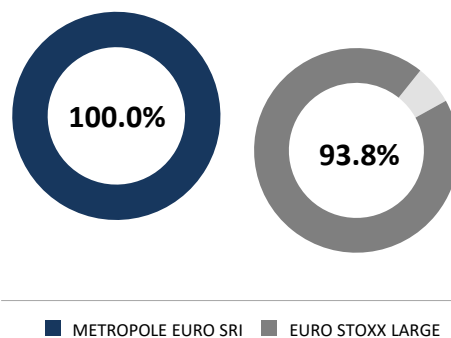
% WOMEN MANAGERS



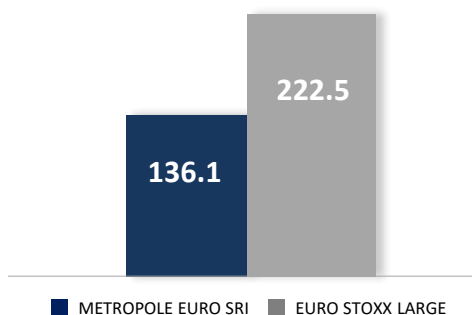
INCLUSION OF EXTRA-FINANCIAL CRITERIA IN EXECUTIVE PAY AWARDS



COMPANIES APPLYING A POLICY PROMOTING RESPECT FOR HUMAN RIGHTS



CO₂ EMISSIONS (tCO₂eq/m€ revenue)



ENVIRONMENT

As a signatory to the CDP (Carbon Disclosure Project) and the Montreal Carbon Pledge and a supporter of the TCFD (Task Force on Climate-related Financial Disclosures), METROPOLE Gestion undertakes to measure and report the environmental impact of its investments.

We measure the carbon footprints⁽¹⁾ of all our portfolios. Our assessment focuses on what are known as scope 1 and scope 2 emissions, currently the most widely adopted standard.

A growing number of companies are now setting emissions reductions targets approved by the SBTi (Science Based Targets initiative) and, as such, aligned on the Paris Agreement 2°C target. While methodological approaches are not available for all sectors, more and more companies are now setting targets that include Scope 3.

The average carbon footprint of the portfolio continued to shrink in 2019, falling to 136.1 tCO₂/m€ revenue from 153.4 in 2018. By comparison, that of the Euro Stoxx Large index rose slightly from 215.8 to 222.5 tCO₂/m€ of revenue in 2019.

MONITORING OF POSITIONS



SCHNEIDER ELECTRIC

✓ **3.0%*** of the portfolio

**Data as of 31/12/2019*

As a provider of energy and automation digital solutions for efficiency and sustainability, Schneider Electric is a key player in the transition towards low-carbon energies.

The company is committed to achieving carbon neutrality, and in 2019 stepped up that commitment with three new undertakings:

- bringing forward its target date for carbon neutrality across its entire ecosystem by 5 years, to 2025 instead of 2030,
- achieving net-zero operational emissions by 2030 as part of a target validated by the Science Based Targets (SBT) initiative,
- working with its suppliers towards net-zero supply chain emissions by 2050.

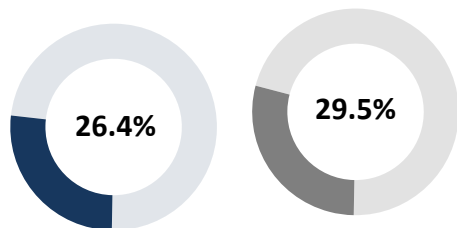
These measures are designed to contribute to capping the rise in global temperature at 1.5°C, in line with the conclusions of the Intergovernmental Panel on Climate Change (IPCC).

These ambitious targets will be achieved primarily through the exclusive use of renewable energy and greater energy efficiency. For Scope 3, Schneider products and solutions help customers to achieve significant reductions in their emissions. Every new company product or project undergoes a carbon footprint impact assessment. For 2020, the company is targeting savings of 120 million tons of CO₂ by its customers thanks to Schneider's innovative solutions. The company monitors and reports its progress via the Schneider Sustainability Impact, published quarterly.

At 18.5 tCO₂/m€ of revenue in 2018, the company's carbon footprint was 10% lower than in the previous year.

(1) Carbon footprints are expressed in carbon intensity (tonnes of CO₂ per million euros in revenue) and are calculated as the average of end-of-month carbon footprints for the year under review. The data used in the calculation are scope 1 and scope 2 CO₂ emissions as reported by companies to Bloomberg. In the absence of reliable and uniform data, scope 3 emissions are not taken into consideration.

% WOMEN MANAGERS



■ METROPOLE EURO SRI ■ EURO STOXX LARGE

SOCIAL

The number of women in corporate management roles has only recently come to be seen as an issue. Most groups make this a stated priority, but results in this direction often remain inadequate.

Some firms report structural or historic difficulties in adjusting their gender balance. Technical sectors are generally home to fewer women and struggle to attract sufficient candidates. To overcome this shortfall, many companies are investing at school and university level. These changes are thus coming into effect gradually.

The cultural environment of the market in which a business operates also constitutes a crucial factor, that may either slow or accelerate the processes of change.

The proportion of women in management positions in companies in the portfolio was 26.4% in 2019, largely unchanged from the figure of 26.5% for the previous year. The benchmark showed a slight increase in the proportion of women managers from 28.8% in 2018 to 29.5% in 2019.

MONITORING OF POSITIONS



✓ **2.4%*** of the portfolio

**Data as of 31/12/2019*

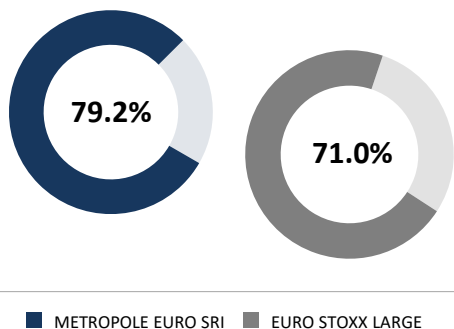
BMW, the German auto manufacturer has closely monitored the percentage of women in its workforce and women's representation in managerial roles for several years, and can point to sustained positive performance since several years:

	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
% total headcount	17.8%	18.1%	18.7%	19.3%	19.9%
% managers	13.5%	14.3%	15.3%	16.0%	17.2%

The proportion of women among the young high-potential population is higher than for the group as a whole, which should further improve the ratios in the years ahead.

The proportion of women on the Supervisory Board rose from 30% to 35% following the Annual General Meeting held in May 2019.

INCLUSION OF EXTRA-FINANCIAL CRITERIA IN EXECUTIVE PAY AWARDS



GOVERNANCE

When making investment decisions, METROPOLE Gestion analyses companies' willingness to align executive targets with both financial and extra-financial criteria in order to deliver sustainable performance. This issue was chosen as our engagement theme for 2018 and continues to figure largely in our dialogue with companies.

These criteria differ according to each company's specific issues, and currently represent some 15 to 20% of executive variable compensation. The use of such criteria is spreading, since many managers now have a financial stake in ESG performance.

In 2018, a number of professional associations (AFG, The Investment Association, AFEP-MEDEF) also recommended the inclusion of extra-financial criteria in executive pay awards. In addition, the German "Kodex" code of good corporate governance, was updated on this point and its latest version of December 2019 recommends a performance-related component for executive pay to promote a sustainable long-term strategy for the company, particularly on social and environmental issues.

The proportion of companies including ESG criteria in executive pay awards held in the portfolio was 79.2%, down slightly from the level of 80.6% in 2018. This was matched by a similar decline for the benchmark, down from 73% in 2018 to 71% in 2019.

MONITORING OF POSITIONS



CAPGEMINI

✓ **2.2%*** of the portfolio

**Data as of 31/12/2019*

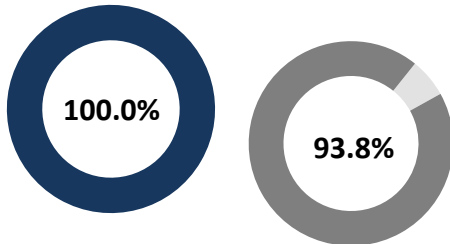
Digital services group Capgemini has a long history of engaging with CSR issues, but it was only recently that extra-financial criteria were introduced as a factor in determining the remuneration of the group's Chairman and CEO. As of 2018, 15% of the variable component of his remuneration (which represents 40% of total annual remuneration) is linked to successful deployment of the CSR strategy. His performance is measured against indicators for diversity, narrowing the digital divide and the group's eco-responsibility. Two thirds of the extra-financial component are based on quantifiable criteria, the remaining third on qualitative criteria.

This is a step forward, since the group first introduced extra-financial criteria in 2017, but at the time these were based solely on diversity.

2019 also saw extra-financial criteria included for the first time in calculating the variable remuneration of the group's two Deputy CEOs.

Since 2018, more employees have qualified for a share allocation plan, 15% of which is dependent on two CSR targets: increasing the proportion of women managers to over 20% and reducing the group's carbon footprint by 20% between 2015 and 2020.

COMPANIES APPLYING A POLICY PROMOTING RESPECT OF HUMAN RIGHTS



■ METROPOLE EURO SRI ■ EURO STOXX LARGE

HUMAN RIGHTS

In keeping with its active engagement in the ESG approach, METROPOLE Gestion pays special attention to respect for human rights across all its portfolios. Our engagement policy with issuers and our adherence, since 2009, to the UN Principles for Responsible Investment (UNPRI) is the formal expression of our engagement in this field.

Furthermore, in accordance with the Oslo, Ottawa, BWC and OPCW conventions, METROPOLE Gestion refrains from investing in any company involved in the production of controversial weapons. Other sectors excluded from our investment universe are pornography, tobacco production and coal production or consumption⁽¹⁾.

Lastly, we make sure through our analyses that companies go above and beyond their strict internal scope and ensure that human rights are respected at every stage in their value chain.

In 2019, as in 2018, all the companies in the METROPOLE Euro SRI portfolio were fully compliant with this indicator, whereas the benchmark showed a decline in the proportion of compliant companies from 95.2% to 93.8%.

MONITORING OF POSITIONS

HUGO BOSS

✓ **1.1%*** of the portfolio

**Data as of 31/12/2019*

As an international luxury fashion retailer, Hugo Boss outsources 83% of its production to external suppliers, many of them based in countries at risk for human rights abuses. In total, Hugo Boss trades with 210 suppliers of finished products in 28 countries. The company's Code of Conduct, which is based on the OECD Guidelines for Human Rights, applies to both its own employees and to external suppliers.

The supplier selection process verifies due compliance with human rights and satisfactory working conditions. All suppliers are audited prior to embarking on a business relationship. Supplier compliance with the Hugo Boss Social Standard, which sets out rules on the treatment of employees, is mandatory. These standards exceed the mandatory national minimum requirements. To ensure continuous monitoring of its suppliers, Hugo Boss employs risk mapping and has introduced its own Social Compliance Program. In support of a sustainable approach to supply chain, Hugo Boss is a member of the German Partnership for Sustainable Textiles and the Fair Labor Association (FLA), organisations seeking to improve working conditions around the world.

Hugo Boss also provides training on human rights for its employees and suppliers in order to raise awareness of these issues.

(1) Mining companies generating over 30% of their revenue from coal production and power generating companies deriving over 30% of their generating capacity from coal.