

As a company engaged in Responsible Value investing 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 approximately 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 detect in greater detail any opportunities, discuss any risks that may have been 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.

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.

Such data is sourced from the investment process, it being stated that METROPOLE Euro SRI sets targets for ESG scoring. Changes to indicators used in the impact report are monitored over time.

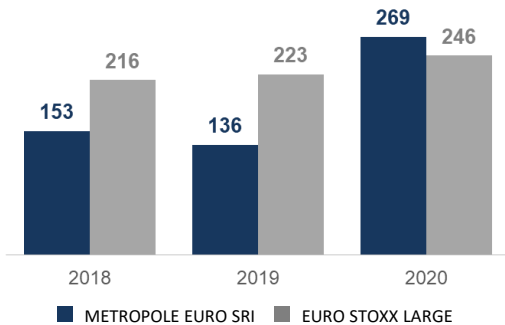
Our engagement approach to companies is built around three main components:

- 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, resulting from an analytical process conducted and reviewed each year internally, covering specific issues.
- Collective engagement by joining with other investors in initiatives to exert maximum influence over companies to adopt a responsible and sustainable approach in their business activities.

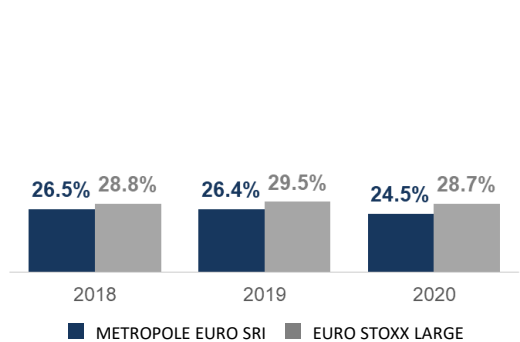
ESG PERFORMANCE INDICATORS

The coverage rate of the four impact indicators is 100%

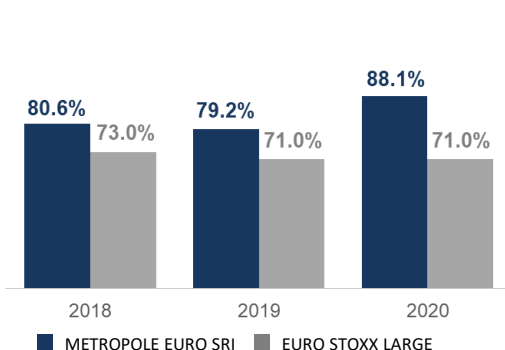
CO₂ EMISSIONS
(tCO₂ eq/m€ revenue)



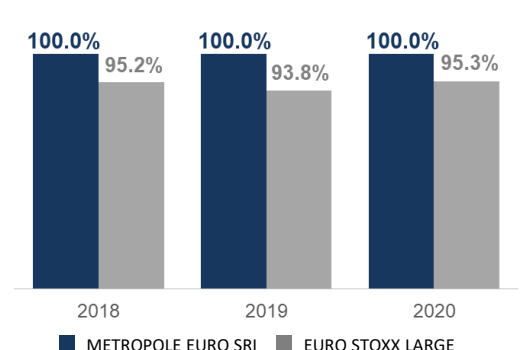
% WOMEN MANAGERS



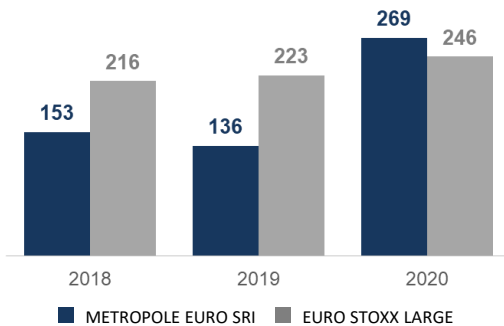
INCLUSION OF EXTRA-FINANCIAL CRITERIA IN EXECUTIVE PAY AWARDS



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.

In 2020, we took part in the campaign conducted by the CDP, asking 1,800 companies to commit to having their greenhouse gas reduction targets validated by the SBTi. In 2020, our themed engagement covered companies' climate reporting with the objective of prompting issuers to follow the recommendations of the TCFD, thereby offering investors greater transparency in this area.

The carbon footprint of the portfolio increased significantly in 2020, reaching 269t CO₂ per €m revenue vs 136t in 2019 and 153t in 2018. The carbon footprint of the Euro Stoxx Large increased slightly from 216t in 2018, to 223t in 2019 and 246t CO₂ per €m revenue in 2020.

The sharp decline in markets caused by the health crisis led us to introduce cyclical stocks offering a high value discount, with certain of these companies posting high levels of greenhouse gas emissions. The introduction of HeidelbergCement and the strengthening of our position in the steel manufacturer ArcelorMittal together explain the portfolio's 2020 increase in carbon intensity. These two companies are actually shining examples compared to their competitors, but operate in sectors where the production processes emit high volumes of carbon. Cement and steel are two essential and durable materials for which there currently exists no real alternative that is less carbon-intensive.

However, these two companies have been monitored very closely through active engagement.

MONITORING OF POSITIONS

HEIDELBERGCEMENT ✓ 3.1%* of the portfolio

*Data as of 31/12/2020

Cement production emits high quantities of CO₂. HeidelbergCement is accordingly the biggest contributor to the carbon intensity of the METROPOLE Euro SRI portfolio. For many years now, the company has committed to an emissions reduction strategy which has already seen its carbon intensity fall by 22% over the period 1990 to 2019. In September last year, the company raised its targets by adopting a 30% reduction in net CO₂/t of cement produced by 2025 and 33% by 2030. This target represents an interim stage before reaching carbon neutrality by 2050.

In order to achieve the 2030 target, the company will be focussing on the following 5 main areas:

- 5% reduction in the clinker utilisation rate;
- doubling of the use of alternative fuels;
- increased use of gas as an energy source;
- improved plant efficiency;
- increased share of production dedicated to low-carbon products.

(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.

The company will be allocating an average of €50m per year over the decade to finance its strategy. Managers at each site have part of their compensation indexed to the attainment of these targets.

A sign of the credibility of its actions, HeidelbergCement is the first cement company to have its strategy validated by the SBTi (Science Based Targets initiative) as being consistent with the 2 degrees aim of the Paris Agreement.

HeidelbergCement has also committed itself to complying with the recommendations of the TCFD.

The objective for carbon neutrality by 2050 is substantially based on carbon capture technologies that do not currently exist and which therefore constitute an area of specific attention in our discussions with the company. We also take part in an approach of collective engagement with HeidelbergCement alongside other investors on the context of Climate Action 100+.

ARCELORMITTAL

✓ **3.2 %* of the portfolio**

**Data as of 31/12/2020*

Steel is a durable and recyclable material, but its production from iron ore emits high quantities of CO₂.

ArcelorMittal is therefore a major contributor to the carbon intensity of the portfolio. Having committed to contribute to the aims of the Paris Agreement, the company has set itself the objective of carbon neutrality by 2050, incorporating an intermediate target of 30% reduction in its carbon intensity by 2030.

The strategy is based on the following 3 main areas:

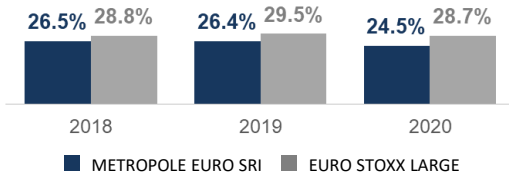
- Increased share of steel produced from scrap metal (electric-arc furnaces), which has one-third of the carbon intensity of steel produced from iron ore in traditional blast furnaces;
- incorporation of new clean technologies in the steel production process, including hydrogen;
- development of carbon reutilisation and/or capture technologies.

Over the past 3 years, ArcelorMittal has invested \$728m in such new technologies 7.5% of its total investments.

A sign of its commitment, in 2019 ArcelorMittal published a climate report for the very first time, incorporating the recommendations issued by the TCFD.

Although in discussions with the SBTi, the company has not yet had its emission reduction targets scientifically validated. It is an issue that we covered during our individual engagement with the company in 2020, which we will continue to monitor closely. We will also verify that the company includes the attainment of these targets in its executive compensation system.

% WOMEN MANAGERS



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.

The portfolio's percentage of women managers stands at 24.5% in 2020, down on previous years' figures of 26.4% in 2019 and 26.5% in 2018. This fall is explained by the introduction into the portfolio of an increased weighting of industrial companies operating in chemicals, cement, steelmaking and automotive, such as Covestro, HeidelbergCement, ArcelorMittal and Volkswagen. These industries have historically attracted fewer women and face structural barriers to feminisation of their workforce, notably management functions.

These companies are attempting to overcome this barrier by

implementing active recruitment and promotion policies, and by offering partnerships and training at university level in order to encourage women to choose these professions. However, the cultural developments required to achieve change will only take place gradually.

By way of comparison, the benchmark saw its percentage of women managers fall to 28.7% vs 29.5% in 2019 and virtually stable vs 2018 at 28.8%.

MONITORING OF POSITIONS

STORA ENSO

✓ **2.7%*** of the portfolio

**Data as of 31/12/2020*

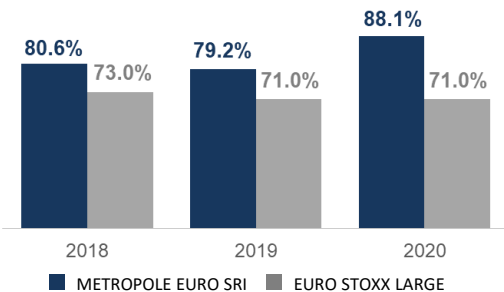
The Finnish paper company which is going through an industrial transformation is also working hard on improving gender diversity, as women now occupy 24% of management posts vs 20% in the previous year. This rise is among the highest in the portfolio and is the result of an active diversity policy leading to the percentage of women managers being virtually identical to the percentage of women within the workforce (26%). The policy is also producing effects among senior management, as 45% of the management team are now women.

The policy is also supported by the group's employees, with 84% considering that management is well able to form teams that favour diversity. The performance of Stora Enso in this area has also been recognised in the global Equileap study, with the group in 29th place for gender equality among the 3,000 companies covered, with first place among Finnish companies.

2020 IMPACT REPORT | METROPOLE EURO SRI

Responsible Value Investment – Main Responsible Value investment cases for Eurozone stocks

INCLUSION OF EXTRA-FINANCIAL CRITERIA IN EXECUTIVE PAY AWARDS



principles of good corporate governance recommend a performance-related component for executive pay to promote a sustainable long-term strategy for the company, particularly on social and environmental issues. Promoting sustainable value creation, this approach is also encouraged under the United Nations Principles for Responsible Investment (UNPRI), of which we are a signatory.

The proportion of companies including ESG criteria in executive pay awards for companies in the portfolio was 88.1% in 2020, a significant rise over the 2019 and 2018 figures of 79.2% and 80.6% respectively. Over the same period, the benchmark, on the other hand, this proportion fell from 73.0% in 2018 to 71.0% in 2019 and 2020.

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 recent years, a number of professional associations such as the AFG or The Investment Association recommended the inclusion of extra-financial criteria in executive pay awards. In addition, AFEP-MEDEF code in France and the German "Kodex" which set out the

MONITORING OF POSITIONS

PUBLICIS

✓ **3.0%*** of the portfolio

**Data as of 31/12/2020*

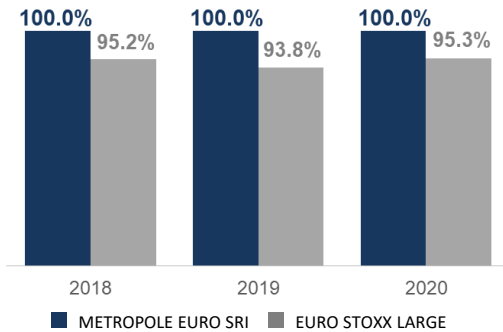
The advertising group Publicis has been implementing a CSR policy for over 10 years now. However, up until now the variable remuneration of its chair of the executive board has not been aligned with non-financial criteria. From 2020, the variable remuneration of the chair, which can equate to 200% of fixed compensation, now contains 25% qualitative criteria. Within this category, 9% is related to the following CSR criteria :

- Achieve at least 40% representation of women on the group's executive committees;
- increase the group's consumption or renewables by 6% vs 2019, to the detriment of fossil energy.

In addition to the chair, these criteria also apply to other members of the executive board, although with different weightings, namely 15% for the Secretary-General, who holds overall responsibility for CSR, 10% for the Finance Director and 5% for the Chief Operating Officer.

This represents progress, as previously only the Secretary-General was affected by CSR criteria and with a low level of transparency.

COMPANIES APPLYING A POLICY PROMOTING RESPECT OF HUMAN RIGHTS



In 2020, as in 2019 and 2018, all the companies in the METROPOLE Euro SRI portfolio were fully compliant with this indicator. The benchmark, in contrast, progressed from 93.8% in 2019 to 95.3% in 2020, slightly above the 95.2% level achieved in 2018.

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.

MONITORING OF POSITIONS

COVESTRO

✓ **2.1%* of the portfolio**

**Data as of 31/12/2020*

Covestro was founded in Germany, a global market leader in the production of polymer-based materials. Given its global footprint, the sensitive nature of its industry (speciality chemicals), and fully aware of its responsibilities, the Covestro group has established procedures designed to ensure strict compliance with human rights throughout the value chain, from raw materials procurement right up to the recycling of finished products.

At the top of the value chain, Covestro has therefore issued ethical standards that must be met by all suppliers, duly documented in the Supplier Code of Conduct. To ensure compliance, verifications are conducted via questionnaires produced by the consulting firm EcoVadis, supported by on-site visits directed by independent auditors accredited by TfS (Together for Sustainability).

(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.