

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 350 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.

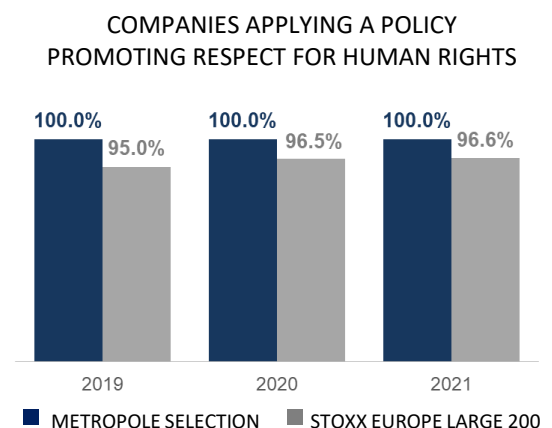
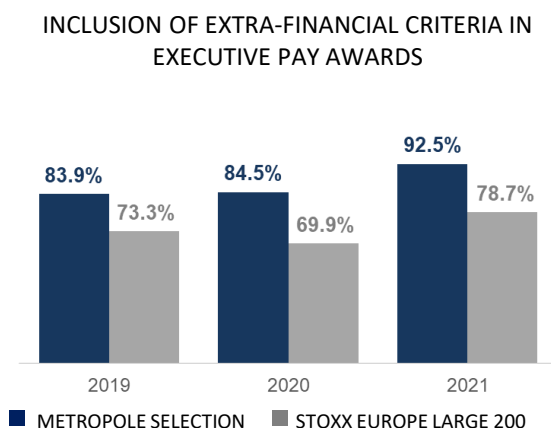
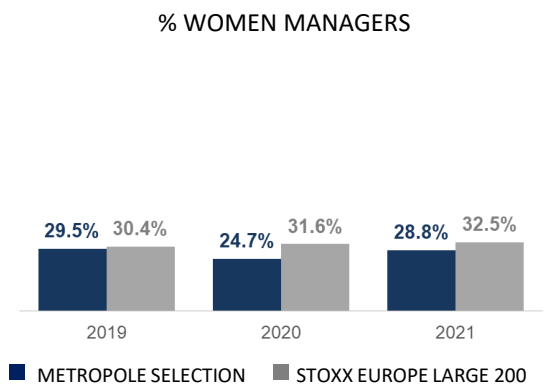
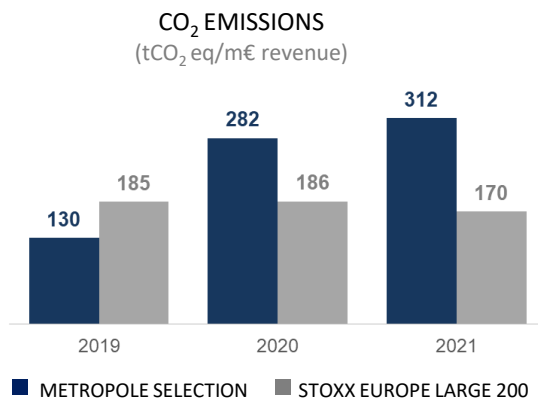
Such data is sourced from the investment process, it being stated that METROPOLE Selection sets targets for ESG scoring. Changes to indicators used in the impact report are monitored over time.

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

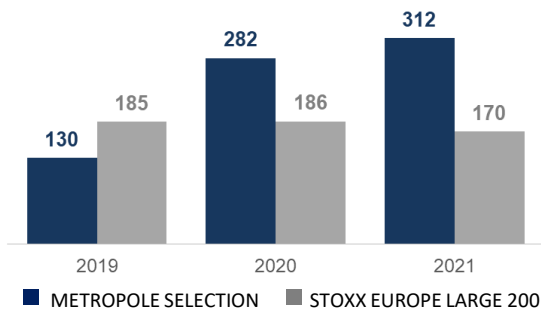
- Individual engagement with companies by means of:
 - ongoing dialogue with companies,
 - dealing with controversies in accordance with our procedure,
 - exercising the voting rights attached to stocks held in our portfolios, in accordance with a voting policy published on our website.
- Thematic engagement, 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)



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. Our thematic engagement in 2021 addressed the financing of energy transition, with the aim of encouraging banks, key players in corporate lending, to pay greater attention to the issues surrounding climate change.

The carbon footprint of the portfolio increased in 2021, reaching 312t CO₂ per €m revenue vs 282t in 2020, 130t in 2019 and 136t in 2018. The carbon footprint of the Stoxx Europe Large 200 slightly decreased over the same period, at 170t CO₂ per €m revenue.

Once again, the increase in the portfolio's carbon intensity was the result of introducing HeidelbergCement into the portfolio and adding to our position in ArcelorMittal, movements we initiated in light of the particularly attractive valuations noted in the first half of 2020. These lines remained in the portfolios throughout 2021. 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 ✓ 2%* of the portfolio

**Data as of 31/12/2021*

Cement production emits high quantities of CO₂. HeidelbergCement is accordingly the biggest contributor to the carbon intensity of the METROPOLE Selection portfolio. For many years now, the company has committed to an emissions reduction strategy which has already seen its carbon intensity fall by 23% over the period 1990 to 2020. The company aims at 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 partly 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. The group made progress on this front in 2021, announcing its implementation of a carbon capture project close to a production site in Norway, which will allow for the sequestration of 400,000 tonnes of CO₂ annually from 2024. We also take part in an approach of collective engagement with HeidelbergCement alongside other investors on the context of Climate Action 100+.

ARCELORMITTAL

✓ **1.8 %* of the portfolio**

**Data as of 31/12/2021*

Steel is a durable and recyclable material, but its production from iron ore in blast furnaces 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 25% reduction in its carbon intensity (scopes 1 & 2) by 2030 and of 35% for the European activity scope.

In its climate report, ArcelorMittal sets out the strategy by which it intends to achieve carbon neutrality by 2050. The roadmap cites five levers:

- Transformation of steelmaking. Replacing blast furnaces with direct-reduced iron and electric arc furnaces.
- Replacing reliance on fossil fuel energy by clean energy, with hydrogen as one possible alternative.
- Increasing the use of scrap in the production mix.
- Using clean electricity.
- Offsetting residual emissions.

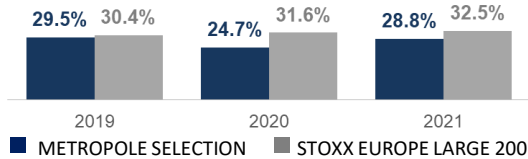
Steelmaking transformation is already a reality for ArcelorMittal, which announced in 2021 that by 2025 its Sestao plant in Spain would be the world's first zero-emissions steel plant. A similar announcement was recently made concerning the Dunkirk blast furnace in France, which will be converted to producing steel from direct-reduced iron in electric arc furnaces.

The group has a gross investment programme of USD10 billion dollars in place that will allow it to reach the targets set for 2030.

Although there is as yet no sectoral guidance for integrated steel producers, ArcelorMittal has announced that it is working with the SBTi to draw up a suitable methodology of scientifically validating the industry's emission reduction targets.

Also in 2021, the group announced that emissions reduction targets would henceforth become an integral component in determining executive remuneration, an initiative we systematically encourage in all our discussions with companies.

% WOMEN MANAGERS



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.

For comparison purposes, the percentage of women managers for the benchmark stands at 32.5%, up from 31.6% in 2020.

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 28.8% in 2021, up compared to 24.7% in 2020 vs the previous years' figures of 29.5% in 2019 and 29.9% in 2018. The proportion of women managers in the portfolio remains below that of the benchmark, due to the significant presence of industrial companies operating in the chemicals, cement, steelmaking or automotive manufacturing sectors, 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

MONITORING OF POSITIONS

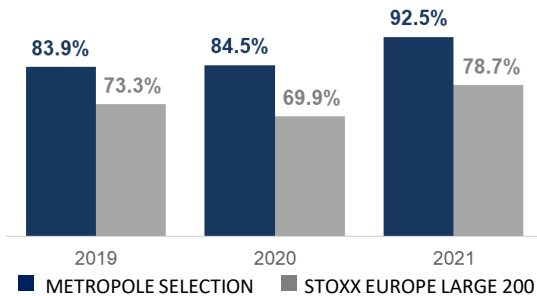
PUBLICIS

✓ **3.3%*** of the portfolio

**Data as of 31/12/2021*

The advertising agency has one of the highest proportions of women in its workforce in our portfolio – Publicis actually employs more women than men. This significant female presence also carries over into the group's key leadership roles, with a proportion of 41% women in 2021 that has risen steadily over the last few years. The group has set itself a target of 45% by 2025. Programmes have been launched in the US, UK, France, India and a number of other countries to encourage the recruitment of more diverse profiles. In testament to its engagement with the issue, Publicis is a signatory to the Women Empowerment Principles advocated by UN agency UN Women. These seven key principles promote women's rights as fundamental human rights and encourage equality in all its forms. The group has also signed up to the CEO Action for Diversity and Inclusion initiative in the US, which invites its hundreds of signatory companies to share best practices and metrics on the advancement of women within their organisations.

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 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

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 in our portfolio incorporating ESG criteria into executive pay rose to 92.5% in 2021, continuing its upward path from 84.5% in 2020 and 83.9% in 2019. The equivalent level for the benchmark was 78.7% in 2021 (73.3% in 2019 and 69.9% in 2020).

MONITORING OF POSITIONS

VOLKSWAGEN

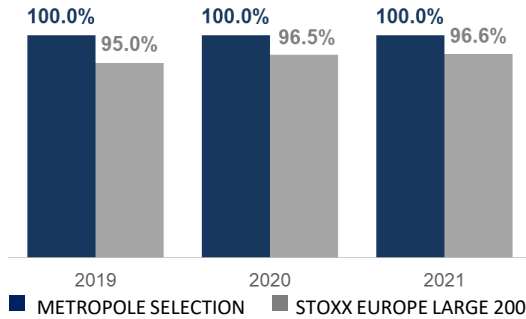
✓ **1.9%* of the portfolio**

**Data as of 31/12/2021*

Volkswagen adopted a new remuneration mechanism as of 1 January 2021 for members of its Management Board. For the first time, this mechanism includes ESG criteria in the determination of the variable component of executive pay, thereby following the recommendations of the German Corporate Governance Code (Kodex). The annual general meeting of shareholders on 22 July 2021 massively supported this resolution, with a 99.61% vote in favour.

The variable element of executive pay (maximum 180% of the target amount) is determined initially on the basis of financial targets (between 0 and 150% of the target amount). Multipliers ranging between 0.9x and 1.1x for governance and between 0.7x and 1.3x for environmental and social aspects are then applied to the basic variable bonus. The environmental element is measured using the group's vehicle decarbonisation index (DKI) on a lifetime approach that includes CO2 emissions not only during production of the vehicle but also during the period of its use by the customer. The social element is based on the diversity index (proportion of women managers) and the sentiment rating, which measures group employee satisfaction. All told, the inclusion of extra-financial ESG criteria in executive pay will have a considerable impact, affecting between 63% and 143% of the final payment compared to a bonus based exclusively on financial targets. This ground-breaking remuneration system represents significant progress in aligning executive incentivisation with the realisation of extra-financial targets.

COMPANIES APPLYING A POLICY PROMOTING RESPECT OF HUMAN RIGHTS



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⁽¹⁾ are pornography, tobacco production and coal production or consumption⁽²⁾.

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 2021, as in 2020, 2019 and 2018, all the companies in the METROPOLE Sélection portfolio were fully compliant with this indicator. The benchmark increased to 96.6% in 2021 compared to 96.5% in 2020, 95.0% in 2019 and 95.2% in 2018.

MONITORING OF POSITIONS

CONTINENTAL

✓ **1.6%* of the portfolio**

**Data as of 31/12/2021*

German-based firm Continental is a world leader in the manufacture of automotive parts. Shouldering the responsibility that comes with its global reach and the risks associated with its industrial activities, the group has put in place procedures to ensure strict respect for human rights along its entire value chain, wherever the group is active.

This requirement is based on ethical standards that all employees and suppliers must adhere to. The rules are laid down in the Business Partners Code of Conduct and the more recent Sustainable Natural Rubber Policy, introduced in 2018, which covers issues such as migrant workers' rights and ethical recruitment, for example. Compliance is monitored by means of questionnaires drawn up by consultants EcoVadis and NQC, and by site visits. In 2020, the group audited 696 suppliers by sending out assessment questionnaires, an increase over 2019 (670) that currently represents coverage of 59%. Continental is aiming for 100% ethical assessment of its suppliers by 2025.

The group also plays an active role in working groups on improving industry practices set up by professional organisations such as the Global Platform for Sustainable Natural Rubber

(1) Since 2022, the management company has applied ODDO group's common base of exclusion. The policy applied to the 2021 financial year is available on request from the management company.

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