

2019 IMPACT REPORT | METROPOLE SELECTION*

Responsible Value Investment - Our principal convictions on undervalued European stocks



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 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.

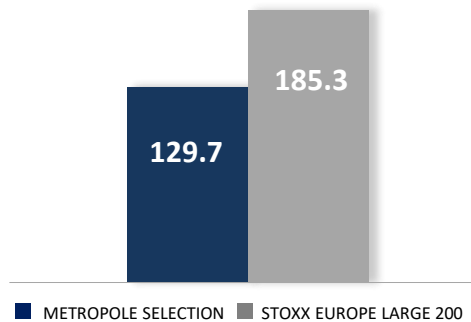
Our impact report is based on a selection of key indicators specific to each ESG theme, such as the inclusion of ESG criteria in the executive pay awards, CO₂ emissions, the proportion of women in management and the respect for human rights.

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

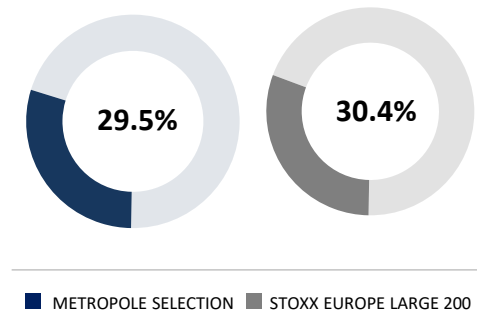
- Individual engagement with companies by means of:
 - ongoing dialogue with companies,
 - dealing with controversies in accordance with our procedure,
 - exercising the voting rights attached to stocks held in our portfolios, in accordance with a voting policy published on our website.
- Thematic engagement: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

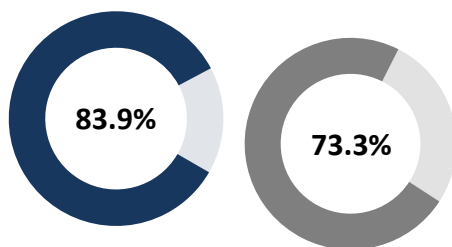
CO₂ EMISSIONS
(tCO₂ eq/m€ revenue)



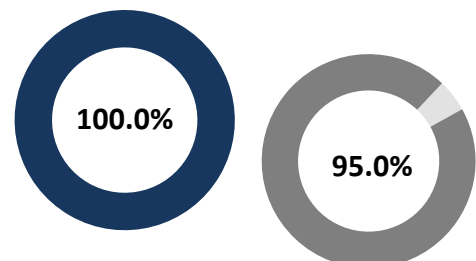
% WOMEN MANAGERS



INCLUSION OF EXTRA-FINANCIAL CRITERIA IN EXECUTIVE PAY AWARDS



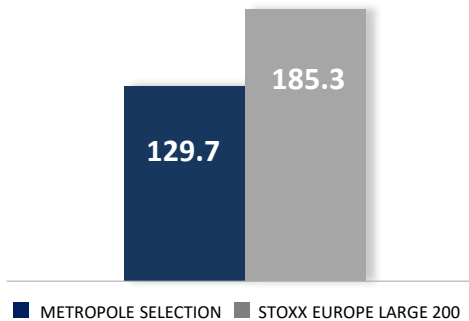
COMPANIES APPLYING A POLICY PROMOTING RESPECT FOR HUMAN RIGHTS



Data as of 31/12/2019

* The sub-fund results from the merger-absorption of the FCP METROPOLE SELECTION launched on 29/11/2002. The A unit created on 29/11/2002 became the A share class on 31/03/2017.

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.

The average carbon footprint of the portfolio continued to shrink in 2019, falling to 129.7 tCO₂/m€ revenue from 136.3 in 2018. For the same period, that of the Stoxx Europe Large 200 also fell slightly from 189.2 to 185.3 tCO₂/m€ revenue in 2019.

MONITORING OF POSITIONS



SAINT-GOBAIN

✓ **3.6 %*** of the portfolio

**Data as of 31/12/2019*

Saint-Gobain's CO₂ emissions derive mainly from its industrial activities, which include the burning of fossil fuels and the chemical reactions involved in glass-making processes. To reduce its environmental impact, Saint-Gobain optimises energy consumption at its production sites by implementing the most efficient techniques and best practices available. The group has also introduced internal carbon pricing and is implementing a group-wide R&D plan to accelerate energy transition. These initiatives have enabled the group to reduce its CO₂ emissions (scope 1 and 2) by 11.7% since 2010, with a targeted 20% reduction by 2025.

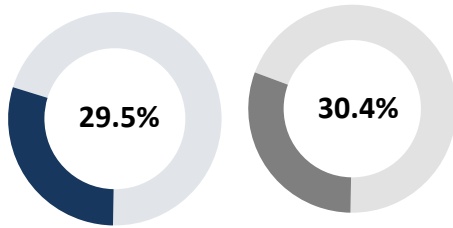
In addition to reducing its direct emissions, Saint-Gobain also makes a wider contribution to the collective effort to reduce CO₂ emissions by promoting innovations to lessen the environmental impact of its products (better thermal insulation, lighter glass to reduce vehicle weight, solutions for lighter-weight buildings and using recycled materials, etc.). The group estimates that the reduction in CO₂ emissions achieved thanks to their insulating products more than offsets the emissions generated in their manufacturing.

One of the targets set by the group's carbon strategy is to measure and reduce its scope 3 emissions.

Saint-Gobain has implemented the recommendations of the TCFD (Task Force on Climate-related Financial Disclosure) and has joined the SBTi (Science Based Target initiative).

(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 SELECTION ■ STOXX EUROPE LARGE 200

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 29.5% in 2019, largely unchanged from the figure of 29.9% for the previous year. The benchmark also saw the proportion of women managers remain stable at 30.4% in 2019 compared to 30.8% in 2018.

MONITORING OF POSITIONS



✓ **2,3%* of the portfolio**

*Data as of 31/12/2019

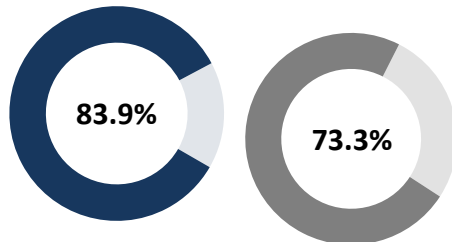
BMW, the German auto manufacturer has closely monitored the percentage of women in its workforce and women's representation in managerial roles for several years, and can point to sustained positive performance since several years:

	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.

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

INCLUSION OF EXTRA-FINANCIAL CRITERIA IN EXECUTIVE PAY AWARDS



■ METROPOLE SELECTION ■ STOXX EUROPE LARGE 200

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 for companies in the portfolio was 83.9%, unchanged on 2018. For the benchmark, on the other hand, this proportion fell from 74.6% in 2018 to 73.3% in 2019.

MONITORING OF POSITIONS



CAPGEMINI

✓ **2.6%* of the portfolio**

**Data as of 31/12/2019*

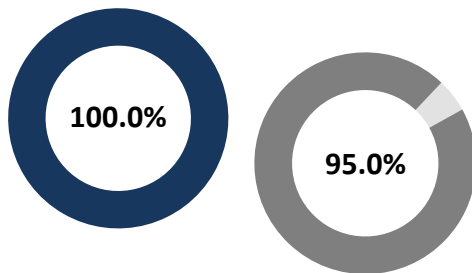
Digital services group Capgemini has a long history of engaging with CSR issues, but it was only recently that extra-financial criteria were introduced as a factor in determining the remuneration of the group's Chairman and CEO. As of 2018, 15% of the variable component of his remuneration (which represents 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 SELECTION ■ STOXX EUROPE LARGE 200

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 Selection portfolio were fully compliant with this indicator. The benchmark, in contrast, remained largely unchanged at 95% in 2019 compared to 95.2% in 2018.

MONITORING OF POSITIONS



✓ **2.0%*** of the portfolio

**Data as of 31/12/2019*

SKF, one of the world's leading bearing manufacturers, has production sites and subcontractors in many countries around the world. SKF has long had in place a human rights policy based on the UN Guiding Principles of business and human rights, and adheres to GRI standards in reporting its social footprint.

The company incorporated human rights into the first edition of its Code of Conduct in 2002. This Code applies to all stakeholders : employees, subcontractors, suppliers, distributors, etc. The company makes every effort to integrate human rights into every aspect of its activities. As early as 2005, SKF launched a responsible supply chain programme. Permanent monitoring is carried out, in particular by means of audits, to ensure that the rules are followed, and monitoring methods are constantly being updated to reflect changes in the industry.

SKF has also set up a World Works Council to cover regions of low union representation, to protect the rights of its employees. Any issues that may arise are usually handled at local level, but certain cases may be referred as high as the Board Audit Committee, illustrating how seriously the company takes its responsibilities in this area.

(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.