

# Transparency code AFG-FIR Eurosif

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METROPOLE Gestion

2020

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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 open-ended investment company with variable capital (SICAV).

Fund	Asset class	Assets under management as at 31/12/2019	Dominant strategies	Exclusions	Label
<b>METROPOLE Sélection</b>	Equities of countries of the European Union	€730.8m	ESG integration Best-in-class Best effort Engagement Impact	- Securities of companies involved in the production of controversial weapons.  - Tobacco	-
<b>METROPOLE Euro SRI</b>	Equities from Eurozone countries	€126.1m	ESG integration Best-in-class Best effort Engagement Impact	- Coal: mining companies for which coal accounts for over 30% of revenue and companies with over 30% of energy production sourced from coal	
<b>METROPOLE Avenir Europe</b>	Equities from countries of the European Union	€50.5m	ESG integration Best-in-class Best effort Engagement Impact	- 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](http://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\\_en.pdf](http://doc.metropolegestion.fr/pdf/MG_CSR_Policy_en.pdf)

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

### 2.2.1 Environmental responsibility

The implementation within the company of best practices designed to protect the environment has led to

- **energy and paper savings** (our paper consumption has been reduced by 95% since 2018, gradual dematerialisation of meeting materials, both internal and external...);
- **systematic recycling** (paper, plastic, ink cartridges, batteries, coffee capsules, etc.);
- **the incorporation of social and environmental criteria in supplier specifications** (use of PEFC-certified paper, electricity fully offset by production from renewable resources, etc.);
- **the offsetting of CO2 emissions related to travel.** Our airline ticket booking agency is instructed to pay or donate to offset travel emissions whenever this solution is offered by airlines. This compensation makes it possible to finance sustainable development projects. A report on actions and our contribution is carried out each year with the agency;
- **Datacenter**  
METROPOLE Gestion is in the process of migrating its IT equipment to a **data center designed to optimise electricity consumption.** The free-cooling system via external air flows has been favoured over the more traditional water-cooling system using chilled water. The gains in total electricity consumption are estimated at some 35%, a saving of about 6 GWh per year compared to a traditional data center. **This saving represents the annual consumption of a traditional 150,000 m<sup>2</sup> office building.**

### 2.2.2 Social responsibility

METROPOLE Gestion is committed to a human resources policy based on tangible factors guaranteeing absolute social responsibility. Among these factors, the quality of working conditions and, more generally, the quality of work life remain a priority.

- Work ergonomics and comfort
- Daily exchanges between employees and their line managers
- The right to disconnect
- Work-private life balance
- Monitoring of key HR indicators (turnover, number of workplace accidents, absenteeism, illness, etc.)

For example, the absenteeism rate for illness was less than 1% in 2020 on 31/08/2020 (long illness excluded), no work accident in 2020 to date, and an average length of service in the company of over 8 years, thus illustrating the stability of the teams and the attachment carried by METROPOLE Gestion to the professional and individual development of its employees.

These professional and individual development of employees also involves the funding and implementation of employees training.

In addition, the METROPOLE Gestion teams have a great deal of autonomy in their work organisation, thus enabling each and everyone to take responsibility for the missions entrusted to them. This autonomy also promotes flexibility in our work organization, guaranteeing optimal adaptation when necessary.

METROPOLE Gestion has established an HR dashboard that includes social indicators. It is closely monitored by senior management and the Human Resources function, and is based on three pillars:



This social responsibility is also expressed via a compensation policy that establishes incentives for all employees to contribute to the economic development of the company through a profit-sharing agreement and employee shareholding plan. Added to these financial elements is a supplementary social protection for employees through the introduction of additional schemes guaranteeing 100% of salary in the event of sick leave and a high-quality health cover.

METROPOLE Gestion also pays particular attention to two fundamental principles during the recruitment process, namely **non-discrimination** and **equality of opportunity** (at an equivalent level of education and experience). Compliance with these 2 principles is guaranteed through a recruitment process that includes at least two interviews, one with the systematic presence of Human Resources Management and another one with the presence of at least two members of the General Management. This cross-interview process ensures that the recruitment process is carried out according to the two fundamental principles set out above.

In terms of employment, the company also takes a responsible stance: to date, out of the 31 existing jobs within METROPOLE Gestion, 30 are permanent jobs. The only non permanent position is an apprenticeship position. Job stability is a key component in METROPOLE Gestion's approach to its social responsibility.

**2.2.3 Responsible approach on societal issues**

METROPOLE Gestion considers that its responsibility as an employer does not end up with complying with its legal obligations. As such, the company is committed to fundamental social

issues such as gender equality. Efforts are continued to eliminate inequalities in this area. To illustrate these efforts, within our structure, nearly 60% of Managers are women and the General Management team is 40% made up of women. The company is also vigilant in respecting equal pay between women and men with equivalent responsibilities and positions. This vigilance is a part of the company's remuneration policy.

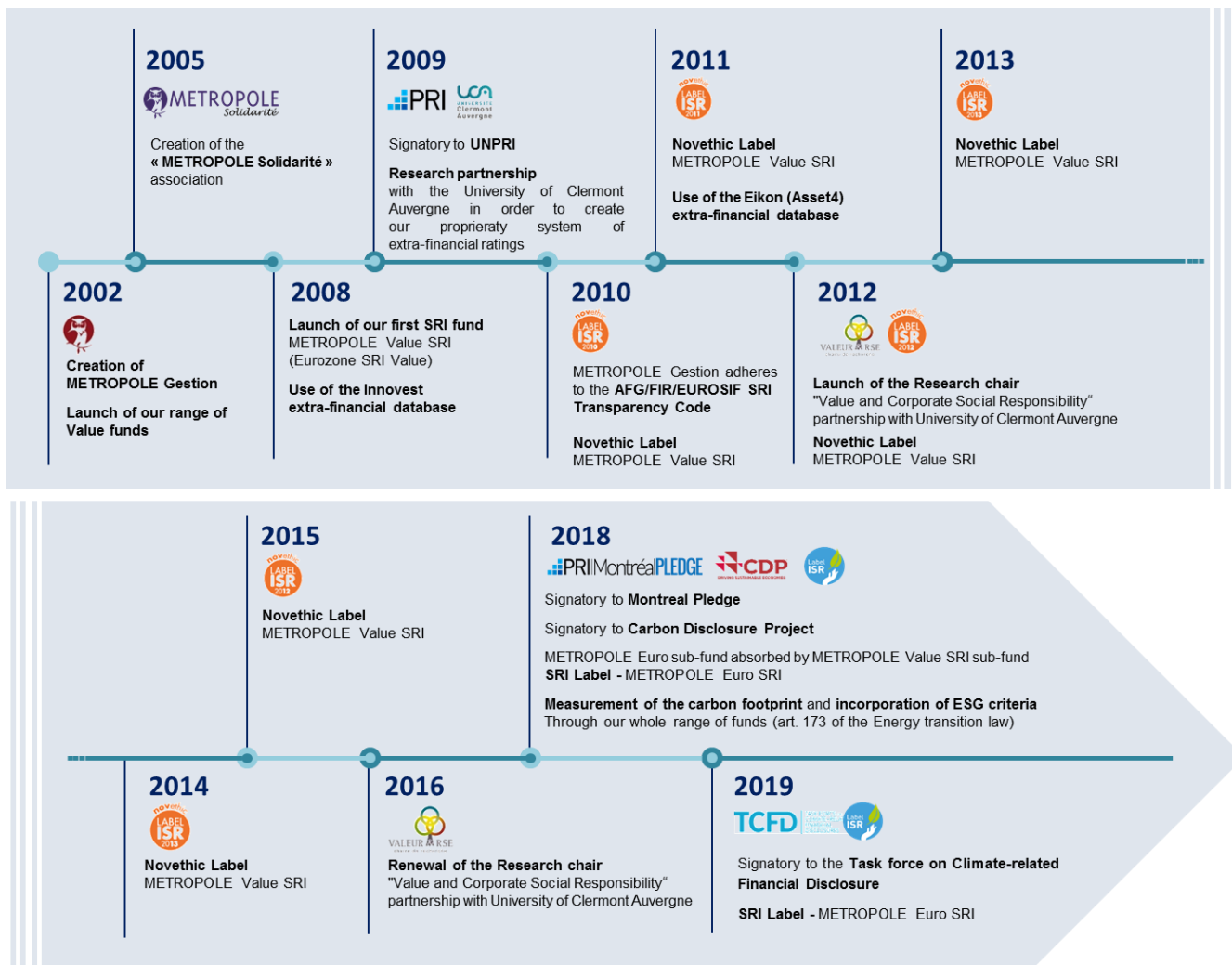
Hyper-connection is also an important societal issue to which our company is attentive, especially with regard to the profound transformations that work organisations are currently experiencing. That is why METROPOLE Gestion has implemented a system on this matter with a charter relating to the right to disconnection and to the balance between private and family and professional life, a charter through which we intend to promote a corporate culture that favors respect for this right. The system also provides for exchanges between line managers and employees in this area, with the support of dedicated materials.

#### **2.2.4 Social responsibility: METROPOLE Gestion is a fully-fledged corporate citizen**

Being a committed operator has been a fundamental issue for the company since its founding. METROPOLE Gestion therefore established the following initiatives at a very early stage:

- **Support for the "METROPOLE Solidarité" foundation** established in 2005 to fund initiatives focussing on culture, the transmission of economic understanding and youth issues.
- **Cultural sponsorship:** METROPOLE Gestion is currently sponsoring the endowment fund of the Louvre Museum. It has also been a sponsor of the *Musée des Confluences* in Lyon, the *Musée du Quai Branly* and the *Réunion des Musées Nationaux-Grand Palais*.
- **A founding member and funder of the "Value and CSR" chair** at the University of Clermont Auvergne: the academic collaboration with the University of Clermont Auvergne strives to provide a long-term solution to the issue of corporate social responsibility and company valuation. It has been reinforced by the launch in 2012 of the research chair in Value and Corporate Social Responsibility, of which METROPOLE Gestion is a founding partner alongside Michelin, Caisse d'Epargne d'Auvergne et Limousin and Maif, with the main objective of associating companies' market value with their socially responsible behaviour.

In addition to the measures implemented within the company, METROPOLE Gestion integrated in 2008 a Responsible Value approach within its portfolio management policy, 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 corporate 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\\_en.pdf](http://doc.metropolegestion.fr/pdf/MG_CSR_Policy_en.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.pdf](http://doc.metropolegestion.fr/pdf/Voting_Policy.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 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](http://doc.metropolegestion.fr/pdf/MG_Engagement_Policy.pdf)

Engagement Report: [http://doc.metropolegestion.fr/pdf/Engagement\\_report.pdf](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](http://doc.metropolegestion.fr/pdf/Sector_exclusion_policy.pdf)

As a signatory of the UNPRI since 2009, over and above its own management, METROPOLE Gestion is committed to measuring how the companies in which it invests on behalf of its clients are able to meet the 17 Sustainable Development Goals of the United Nations and will be publishing a dedicated report for 2020.

## **2.4 ESG risk and opportunity management**

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: extra-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, via its investments on behalf of its clients, seeks 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.

Our Policy of controversies prevention and verification can be found [here](#).

METROPOLE Gestion attaches particular importance to the risks and opportunities relating to climate change. Over 20% of the indicators integrated to our rating system 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 system (PMS) to ensure that fund managers are able to exploit all the information (ratings, pre-trade compliance 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/>   
2020 UNPRI Report:  
[http://doc.metropolegestion.fr/pdf/Public\\_Transparency\\_Report\\_METROPOLE\\_Gestion.pdf](http://doc.metropolegestion.fr/pdf/Public_Transparency_Report_METROPOLE_Gestion.pdf)
- Carbon Disclosure Project (CDP) in 2018: <https://www.cdp.net/en> 
- Montreal Carbon Pledge in 2018: <https://montrealpledge.org/>  Montréal 
- TCFD in 2019: <https://www.fsb-tcfd.org/tcfd-supporters/>  

## 2.7 Total Responsible Value assets under management

As of 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 Responsible Value funds

On its website [www.metropolegestion.fr](http://www.metropolegestion.fr) METROPOLE Gestion publishes a list of open-ended funds 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 Responsible Value funds covered by the Transparency Code

#### 3.1 Objectives

##### METROPOLE Sélection

Launched on 29<sup>th</sup> of 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 outperform its benchmark, namely the STOXX Europe Large 200 net dividends reinvested.

The strategy employed consists of selecting the companies with the best ratings for ESG criteria by limiting the investment universe using a Best-in-Class and Best Effort rating methodology for companies based in the EU, Switzerland and Norway and subsequently selecting discounted stocks, via rigorous financial analysis and knowledge of the management teams, in addition to identifying one or more factors likely to reduce the discount over a period of between 18 and 24 months.

The social responsibility criteria taken into consideration are analysed from four angles:

- corporate governance policy;
- respect for the environment;
- management of human capital;
- relations with and management of the various stakeholders (suppliers, customers, local communities and regulators).

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 available on our website [www.metropolegestion.fr](http://www.metropolegestion.fr). Our eligible universe therefore constitutes the starting point for portfolio construction.

The universe is then reduced a second time based on our Best-in-Class and Best Efforts ESG rating system by favouring companies with the highest ratings in their sector, or companies making the most significant efforts to adopt the best ESG practices while eliminating the companies with the lowest ratings, in addition to due consideration being given to past or current controversies which are assessed under a dedicated Prevention and Verification Policy. This approach limits potential ESG risks and also encourages the companies to implement accelerated transformation towards sustainable growth and to seize the opportunities presented during the transformation process. The selection constraints applied to the ESG rating system are as follows:

- 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.

We obtain a reduced investment universe using ESG rating criteria.

Furthermore, a set of climate change indicators is taken into consideration by our proprietary ratings model. More than 20% of the indicators we monitor are related to climate change and are broken down into 4 analytical pillars. They form an integral part of our ESG rating system.

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

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.

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 regular basis.

Lastly, an additional selection constraint is applied to construction of the portfolio: the overall ESG rating of the portfolio must be higher than the overall ESG rating of the benchmark universe after deducting the 20% of securities with the lowest ratings.

This approach is supplemented by:

- an approach based on company engagement by exercising voting rights and individual, themed and collective dialogue;
- conducting an impact analysis of our ESG approach.

This applies to all capitalisations in the investment universe, the sub-fund may invest as opportunities arise and in stocks not within the STOXX Europe Large 200. At least 90% of the portfolio's securities are analysed and assigned a Best-in-Class/Best Efforts ESG rating and are subject to active engagement by exercising voting rights and holding individual, themed and collective dialogue, duly covered in annual reports published on our website.

### **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 outperform its benchmark, namely the EURO Stoxx Large net dividends reinvested.

The strategy employed consists of selecting the companies with the best ratings for ESG criteria by limiting the investment universe using a Best-in-Class and Best Efforts rating methodology for eurozone companies with market capitalisation above 5 billion euros, and subsequently selecting discounted stocks, via rigorous financial analysis and knowledge of the management teams, in addition to identifying one or more factors likely to reduce the discount over a period of between 18 and 24 months.

The social responsibility criteria taken into consideration are analysed from four angles:

- corporate governance policy;
- respect for the environment;
- management of human capital;
- relations with and management of the various stakeholders (suppliers, customers, local communities and regulators).

Our initial investment universe is composed of Eurozone companies with a market capitalisation over 5 billion euros, with the exception of those subject to the exclusions specified in our policy available on our website [www.metropolegestion.fr](http://www.metropolegestion.fr). Our eligible universe therefore constitutes the starting point for portfolio construction.

The universe is then reduced a second time based on our Best-in-Class and Best Efforts ESG rating system by favouring companies with the highest ratings in their sector, or companies making the most significant efforts to adopt the best ESG practices while eliminating the companies with the lowest ratings, in addition to due consideration being given to past or current controversies which are assessed under a dedicated Prevention and Verification Policy. This approach limits potential ESG risks and also encourages the companies to implement accelerated transformation towards sustainable growth and to seize the opportunities presented during the transformation process. The selection constraints applied to the ESG rating system are as follows:

- 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.

We obtain a reduced investment universe using ESG rating criteria.

Furthermore, a set of climate change indicators is taken into consideration by our proprietary ratings model. More than 20% of the indicators we monitor are related to climate change and are broken down into 4 analytical pillars. They form an integral part of our ESG rating system.

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

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.

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 regular basis.

Lastly, an additional selection constraint is applied to construction of the portfolio: the overall ESG rating of the portfolio must be higher than the overall ESG rating of the benchmark universe after deducting the 20% of securities with the lowest ratings.

This approach is supplemented by:

- an approach based on company engagement by exercising voting rights and individual, themed and collective dialogue;
- conducting an impact analysis of our ESG approach.



At least 90% of the portfolio's securities are analysed and assigned a Best-in-Class/Best Efforts ESG rating and are subject to active engagement by exercising voting rights and holding individual, themed and collective dialogue, duly covered in annual reports published on our website.

## **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 outperform its benchmark, namely the EURO Stoxs Small net dividends reinvested.

The strategy employed consists of selecting the companies with the best ratings for ESG criteria by limiting the investment universe using a Best-in-Class and Best Efforts rating methodology for companies based in the EU, Switzerland and Norway with market capitalisation mostly between 100 million and 4 billion euros and subsequently selecting discounted stocks, via rigorous financial analysis and knowledge of the management teams, in addition to identifying one or more factors likely to reduce the discount over a period of between 18 and 24 months.

The social responsibility criteria taken into consideration are analysed from four angles:

- corporate governance policy;
- respect for the environment;
- management of human capital;
- relations with and management of the various stakeholders (suppliers, customers, local communities and regulators)

Our initial investment universe is composed of European companies between 100 million and 4 billion euros of market capitalisation, with the exception of those subject to the exclusions specified in our policy available on our website [www.metropolegestion.fr](http://www.metropolegestion.fr). Our eligible universe therefore constitutes the starting point for portfolio construction.

The universe is then reduced a second time based on our Best-in-Class and Best Efforts ESG rating system by favouring companies with the highest ratings in their sector, or companies making the most significant efforts to adopt the best ESG practices while eliminating the companies with the lowest ratings, in addition to due consideration being given to past or current controversies which are assessed under a dedicated Prevention and Verification Policy. This approach limits potential ESG risks and also encourages the companies to implement accelerated transformation towards sustainable growth and to seize the opportunities presented during the transformation process. The selection constraints applied to the ESG rating system are as follows:

- 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;

We obtain a reduced investment universe using ESG rating criteria.

Furthermore, a set of climate change indicators is taken into consideration by our proprietary ratings model. More than 20% of the indicators we monitor are related to climate change and are broken down into 4 analytical pillars. They form an integral part of our ESG rating system.

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

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.

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 regular basis.

Lastly, an additional selection constraint is applied to construction of the portfolio: the overall ESG rating of the portfolio must be higher than the overall ESG rating of the benchmark universe after deducting the 20% of securities with the lowest ratings.

This approach is supplemented by:

- an approach based on company engagement by exercising voting rights and individual, themed and collective dialogue;
- conducting an impact analysis of our ESG approach.

The sub-fund will mostly invest in securities of companies with market capitalisation of between 100 million and 4 billion euros based in the EU, Switzerland and Norway. Furthermore, the sub-fund may invest as opportunities arise and in stocks not within the STOXX Europe Large 200.

At least 90% of the portfolio's securities are analysed and assigned a Best-in-Class/Best Efforts ESG rating and are subject to active engagement by exercising voting rights and holding individual, themed and collective dialogue, duly covered in annual reports published on our website.

## 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.
- **CDP:**  
As a signatory of the CDP, METROPOLE Gestion uses the CDP's quantitative and qualitative database structured around questionnaires sent to companies, covering some 5,000 companies worldwide.
- **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.

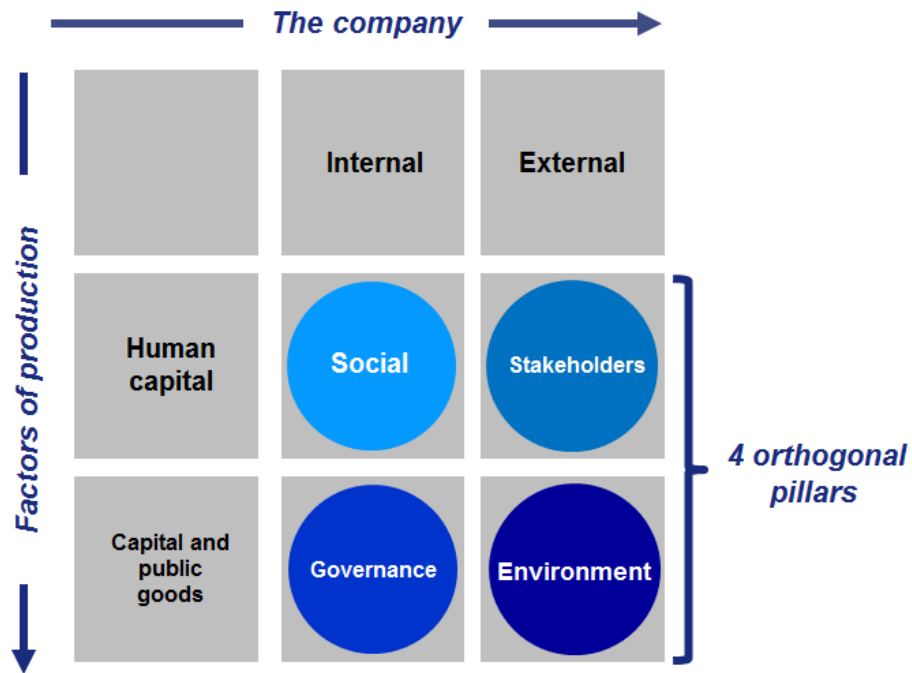
## 3.3 ESG assessment and analysis principles, criteria and methodology

### 3.3.1 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

**Social: 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).

### **3.3.2 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 each of 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 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.

This is detailed in our [Policy of controversies prevention and verification](#).

- 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.
- Themed dialogue with the companies; every year, all companies in the portfolio are questioned by the management team at the start of the year about a specific ESG and climate theme.
- Collective dialogue through collective actions with other investors.

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<sup>(1)</sup>, 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. Furthermore, in 2020 METROPOLE joined the CDP SBT Campaign, an initiative requesting companies to adopt CO2 emission reduction targets validated by the Science Based Targets initiative's (SBTi).

## 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 available on our website. Our eligible universe therefore constitutes the starting point for portfolio construction.

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<sup>1</sup> Further information on the Non-Disclosure Campaign is available on request

The universe is then reduced a second time based on our Best-in-Class and Best Efforts ESG rating system by favouring companies with the highest ratings in their sector, or companies making the most significant efforts to adopt the best ESG practices while eliminating the companies with the lowest ratings, in addition to due consideration being given to past or current controversies which are assessed under a dedicated Prevention and Verification Policy. This approach limits potential ESG risks and also encourages the companies to implement accelerated transformation towards sustainable growth and to seize the opportunities presented during the transformation process. The selection constraints applied to the ESG rating system are as follows:

- 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.

We obtain a reduced investment universe using ESG rating criteria.

Furthermore, a set of climate change indicators is taken into consideration by our proprietary ratings model. More than 20% of the indicators we monitor are related to climate change and are broken down into 4 analytical pillars. They form an integral part of our ESG rating system.

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

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.

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 regular 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

Reduction of the investment universe in line with 3 successive criteria:

- elimination of companies falling within the scope of our exclusion policy;
- elimination of companies with the lowest ratings under the Best-in-Class/Best Efforts ESG rating produced using our proprietary methodology or which have been the subject of a major controversy;



- selection of securities that are discounted vis-à-vis their industrial value by using for each sector the same valuation criteria as used for the sector's companies recorded in our proprietary database of past transactions.

### 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 and opportunities.

### 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.

### Exit

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 Sélection, METROPOLE Euro SRI and METROPOLE Avenir Europe sub-funds**, the following **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
<b>METROPOLE Sélection</b>	Stock picking Responsible Value  All capitalisations  Equities of countries of the European Union, Switzerland and Norway	Yes	Yes	Yes	Yes	Higher than the universe of European Union, Switzerland and Norway stocks with an ESG rating of over 100M€ market capitalisation less 20% of the worst ratings.	Bucket CCC ruled out  If Best-in-Class ≤BB+ then Best Effort ≥ +++
<b>METROPOLE Euro SRI</b>	Stock picking Responsible Value  Large capitalisations eurozone	Yes	Yes	Yes	Yes	Higher than the universe of eurozone large cap equities with an ESG rating less 20% of the worst ratings	Bucket CCC ruled out  If Best-in-Class ≤BB+ then Best Effort ≥ +++
<b>METROPOLE Avenir Europe</b>	Stock picking Responsible Value  Capitalisations between €100m and €4,000m  Equities of countries of the European Union, Switzerland and Norway	Yes	Yes	Yes	Yes	Higher than the universe of European Union, Switzerland and Norway stocks with an ESG rating and a market capitalization between 100M€ and 4 billion Euros less 20% of the worst ratings.	Bucket CCC ruled out  If Best-in-Class ≤BB+ then Best Effort ≥ +++

## 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 Use 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 Use of mutual funds**

The part of the 3 sub-funds not invested in equities 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 Management 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](http://doc.metropolegestion.fr/pdf/Incorporating_ESG_criteria.pdf)

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

#### **Pre-trade compliance checks:**

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

#### **Post-trade compliance checks:**

- 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 factsheets issued by the METROPOLE Sélection, METROPOLE Euro SRI and METROPOLE Avenir Europe funds.

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 manufacturing 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.

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

- 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 Responsible Value 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 policy
- Voting policy
- Engagement policy
- Responsible Value management
- Shareholder engagement policy
- Exclusion policy
- Policy of controversies prevention and verification
- Policy regarding Incorporating ESG criteria into risk management and internal control processes

Reports:

- Annual report on the exercise of voting rights
- Annual engagement report
- Annual impact report
- Monthly average ESG ratings of the METROPOLE Sélection, METROPOLE Euro SRI and METROPOLE Avenir Europe funds (monthly factsheets)
- Average carbon footprint of each portfolio (monthly factsheets)
- Reporting Article 173-VI of METROPOLE Gestion, METROPOLE Sélection, METROPOLE Euro SRI and METROPOLE Avenir Europe
- 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.