



Sector exclusion policy

Introduction

METROPOLE Gestion endorses and supports all of the United Nations Sustainable Development Goals¹.

The company includes these goals in its CSR policy, and intends to act or make an effective contribution notably in respect of *Good health and well-being at work, Gender equality, Affordable and clean energy, Decent work and economic growth, Reduced inequalities, Responsible consumption and production*, and *Climate action*.

METROPOLE Gestion takes into account all of the United Nations Sustainable Development Goals in its investment activities. Some of these goals are directly reflected in this sector exclusion policy.

This sector exclusion policy, which is inseparable from METROPOLE Gestion's ESG commitments, focuses on the principles of respect for people and the environment. It aims to exclude the following sectors from the managed portfolios investment universe:

1. **controversial weapons;**
2. **coal production and consumption;**
3. **tobacco production;** and
4. **pornography.**

The lists of companies concerned are defined by the Portfolio management team, and the Compliance and Permanent Control department ensures compliance with these exclusions (see 5. *Control of exclusion lists*). The exclusions are valid for all asset classes (equities, bonds and derivatives-related exposures).

The exclusion of controversial weapons applies to all portfolios (open-ended funds, management delegations and mandates) and the other sector exclusions apply to the METROPOLE Funds SICAV.

¹ www.un.org/sustainabledevelopment/fr/objectifs-de-developpement-durable/

1. Controversial weapons

1.1. Regulatory framework

The financing of activities linked to controversial weapons is governed by international agreements signed by France. METROPOLE Gestion relies on these agreements to define what it considers controversial weapons:

- The Oslo Convention on Cluster Munitions², signed by France in December 2008 and transposed into French law in July 2010, prohibits the use, production, stockpiling and transfer of all cluster munitions. Article 2 of this Convention defines a cluster munition as a “conventional munition that is designed to disperse or release explosive submunitions each weighing less than 20 kilograms”.
- The Ottawa Convention on Anti-Personnel Mines³, signed by France in December 1997 and transposed into French law in July 1998, prohibits the use, stockpiling, production and transfer of anti-personnel mines. According to the Ottawa Convention, an anti-personnel mine is “a mine designed to be exploded by the presence, proximity or contact of a person and that will incapacitate, injure or kill one or more persons”.
- The Convention on the Prohibition of Chemical Weapons (CWC)⁴ was ratified by France in 1995 before being transposed into French law and entering into force in April 1997. The Convention defines chemical weapons as “Munitions and devices, specifically designed to cause death or other harm through the toxic properties of those toxic chemicals [...] which would be released as a result of the employment of such munitions and devices.”
- The Convention on Bacteriological (Biological) and Toxin Weapons (BWC)⁵, which entered into force in 1975, prohibits the development, production and stockpiling of biological and toxin weapons. Biological weapons are defined as “microbial or other biological agents, or toxins whatever their origin or method of production, of types and in quantities that have no justification for prophylactic, protective or other peaceful purposes”.

These last two types of weapons are considered weapons of mass destruction by the United Nations Office for Disarmament Affairs (UNODA).

In addition, the French Defence Code lays down criminal provisions prohibiting the direct or indirect financing of anti-personnel mines (Article L.2343-2), cluster munitions (Article L.2144-2), chemical weapons (Article L.2342-3) or biological or toxin-based weapons (Article L.2341-2).

² Convention on the prohibition of cluster munitions (www.clusterconvention.org/the-convention/convention-text/)

³ Convention on the prohibition of anti-personnel mines (www.apminebanconvention.org/fr/)

⁴ Convention on the prohibition of chemical weapons (www.opcw.org/fr/convention-sur-lban-des-armes-chimiques)

⁵ Convention on biological and toxin weapons (www.un.org/disarmament/fr/amd/armes-biologiques/)

1.2. Implementation

In connection with its asset management business, METROPOLE Gestion is prohibited from investing in equity securities or debt securities, or from being exposed through derivatives to securities issued by companies involved in the production, marketing or stockpiling of these controversial weapons.

This exclusion notably includes:

- the production, marketing or stockpiling of weapons or components specifically designed for these weapons and that are fundamental to their operation;
- the provision of assistance, technologies or essential services dedicated to these weapons, such as logistics or transport;
- and the holding of more than 50% of a company as defined above.

To draw up its exclusion list of companies involved in controversial weapons, METROPOLE Gestion uses external data providers (in particular PAX⁶, a player recognised for its engagement against controversial weapons), as well as an internal analysis of each new company in which it invests.

⁶ PAX (www.paxforpeace.nl)

2. Coal production and consumption

2.1. Context

Two United Nations Sustainable Development Goals incorporated by METROPOLE Gestion – **Affordable and clean energy** and **Climate action** – result, among other things, in the exclusion of companies that produce and consume coal.

METROPOLE Gestion accordingly excludes from its investment universe companies that produce or consume coal by refraining from investing in equity securities or debt securities, or from being exposed through derivatives to securities issued by:

- mining companies that generate more than 30% of their revenue through coal production,
- energy-producing companies more than 30% of whose production comes from coal⁷.

2.2. Implementation

The exclusion list defined by METROPOLE Gestion has been drawn up referring to various external data providers and based on internal analysis of the companies. This list is updated yearly.

Moreover, mining and energy-producing companies are subject to specific monitoring: before each investment, an assessment is made of the share of coal production in their revenue or the share of coal in their electricity production. If a company is identified as a coal producer or consumer within the meaning of this policy, it is added to the exclusion list.

⁷ or for which coal makes up at least 30% of the energy mix.

3. Tobacco producers

3.1. Context

The World Health Organization considers smoking to be a “global problem with serious consequences for public health”⁸. METROPOLE Gestion's decision to exclude the tobacco industry, which is directly or indirectly responsible for millions of deaths every year, addresses concerns about public health, human rights and the economic cost of tobacco.

With this in mind, the exclusion of tobacco companies contributes to implementation of the United Nations’ **Good health and well-being** goal.

3.2. Implementation

METROPOLE Gestion is therefore prohibited from investing in equity securities or debt securities, or from being exposed through derivatives to securities issued by tobacco-producing companies identified in the exclusion list.

4. Pornography

4.1. Context

Pornography runs contrary to the principle of respect for human dignity and has a potentially subversive character (links with organised crime, discrimination and sexual violences, etc.). METROPOLE Gestion excludes from its investment universe all companies linked to the production of representations of degrading sexual acts that are harmful to human dignity.

4.2. Implementation

METROPOLE Gestion is therefore prohibited from investing in equity securities or debt securities, or from being exposed through derivatives to securities issued by companies that produce pornographic material identified in the exclusion list.

⁸ WHO Framework Convention on Tobacco Control (http://www.who.int/fctc/text_download/fr/)

5. Control of exclusion lists

The Compliance and Permanent Control department performs controls to ensure compliance with the exclusion lists.

These lists are set up in the portfolio management system's compliance tool, which carries out automatic pre-trade checks, systematically blocking any investment in equity securities or debt securities, or exposure through derivatives to securities issued by a company identified on these lists.

The lists are reviewed at least annually and updated as necessary on an ad hoc basis.

A report on the monitoring of compliance with these exclusion lists is presented quarterly to the Risks Committee.