

2018 IMPACT REPORT | METROPOLE EURO SRI*

Responsible Value Investment – Our principal convictions on discounted Eurozone stocks



As a company engaged in Responsible Value investment 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 Responsible Value investment 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. Meetings with companies in the portfolios are held on average three to four times a year. Interviews on ESG topics are held at least once a year. 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 use ESG criteria in managing all of our portfolios and as for the METROPOLE Euro SRI fund, it selects stocks on the basis of their ESG ratings.

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.

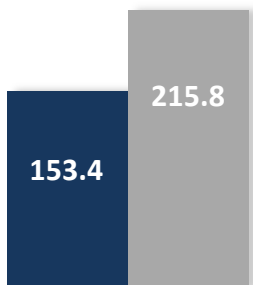
Our engagement approach to companies:

METROPOLE Gestion's approach is based on engaging with issuers, through:

- the exercise the voting rights attached to securities held in the portfolio as part of our voting policy,
- a direct dialogue with issuers as a means of identifying ESG risks and influencing the strategy of the companies analysed.

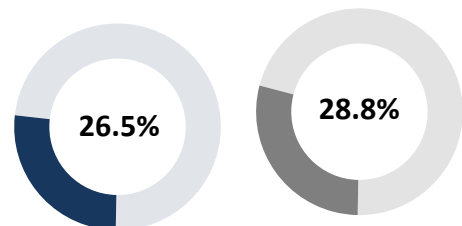
ESG PERFORMANCE INDICATORS

CO₂ EMISSIONS
(tCO₂eq/m€ revenue)



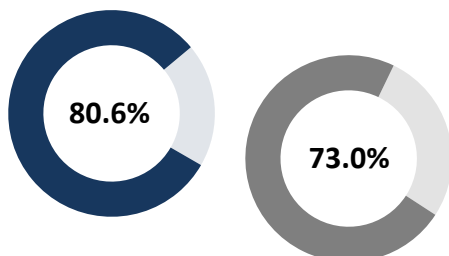
■ METROPOLE EURO SRI ■ EURO STOXX LARGE

% WOMEN MANAGERS



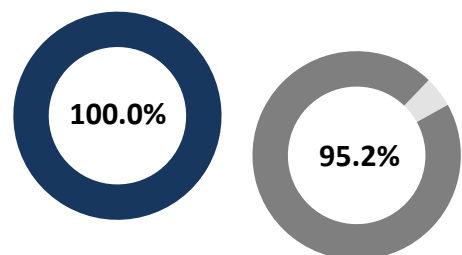
■ METROPOLE EURO SRI ■ EURO STOXX LARGE

INCLUSION OF EXTRA-FINANCIAL CRITERIA IN
EXECUTIVE PAY AWARDS



■ METROPOLE EURO SRI ■ EURO STOXX LARGE

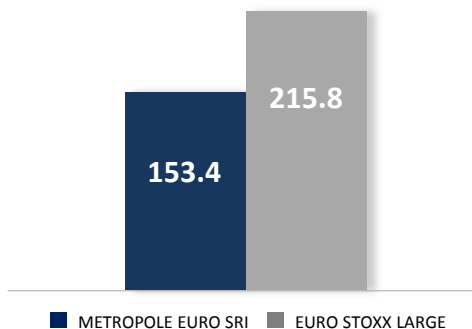
COMPANIES APPLYING A POLICY
PROMOTING RESPECT FOR HUMAN RIGHTS



■ METROPOLE EURO SRI ■ EURO STOXX LARGE

* The METROPOLE Value SRI sub-fund was created by the merger -absorption of the FCP METROPOLE Value SRI FCP established on 9 July 2008. On 29 March 2018, this sub-fund absorbed the METROPOLE Euro sub-fund, becoming the METROPOLE Euro SRI sub-fund.

CO₂ EMISSIONS (tCO₂eq/m€ revenue)



ENVIRONMENT

As part of its responsible investment strategy, METROPOLE Gestion pays particular attention to the levers for reducing CO₂ emissions deployed by the companies held in its portfolios.

As part of our engagement, we are also signatories to the CDP (Carbon Disclosure Project) and the Montreal Pledge, through which we undertake to measure and disclose the environmental impact of our 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 as standard. While it has emerged from our dialogue with companies that many have begun measuring their scope 3 emissions, the indicator is not homogeneous enough at this stage to produce comparable results.

In 2018, the average carbon footprint of the portfolio fell sharply to 153.4 tCO₂ eq/m€ in revenue, down from 179.3 in 2017, whereas it increased from 203.0 to 215.8 for the Euro Stoxx Large.

MONITORING OF POSITIONS



SMURFIT KAPPA

✓ **1.8%*** of the portfolio

**Data at 31/12/2018*

Paper and board manufacturing is an energy-intensive industry with high CO₂ emission levels. Well aware of its impact, Smurfit Kappa has undertaken to:

- improve the energy efficiency of its production processes,
- reduce the use of fossil fuels in its energy mix,
- reduce its CO₂ emissions (scope 1 and 2) by 25% between 2005 and 2020.

Since 2005, the group has improved its energy efficiency by 13% and increased the proportion of renewable energies used in its production processes from 37.3% to 49.5%. These efforts have resulted in a 26.1% reduction in CO₂ emissions, exceeding the 25% target set for 2020. The group is expected to commit to new and more ambitious targets, in line with the Paris Agreement on climate change.



SAINT-GOBAIN

✓ **3.0%*** of the portfolio

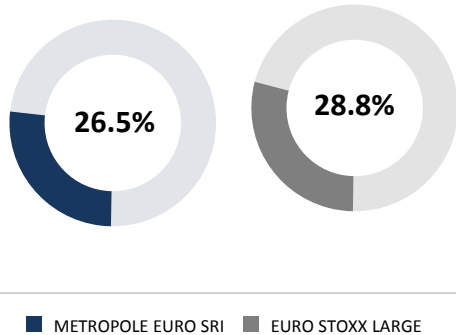
**Data at 31/12/2018*

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

(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



SOCIAL

Increasing 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 increased in 2018, for both the Euro Stoxx Large index (28.8%, up from 28% in 2017) and the METROPOLE Eur SRI portfolio (26.4%, up from 24.6% in 2017), with the portfolio showing faster growth.

MONITORING OF POSITIONS



✓ **2.4%*** of the portfolio

**Data at 31/12/2018*

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 over the past 5 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. Of this high-potential population, women account for 44% of interns and 28% of graduate recruits. We will be monitoring this indicator closely over the next few months, since BMW still lags well behind the best examples in the sector, such as Toyota and Renault, where the proportion of women in management is approaching 30%.



✓ **3.5%*** of the portfolio

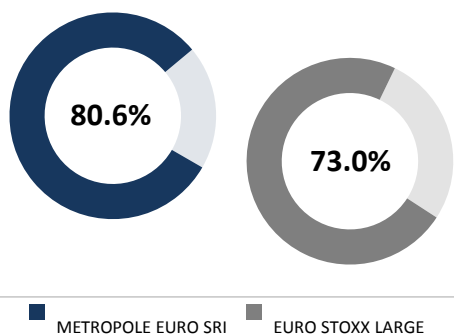
**Data at 31/12/2018*

Merck has just achieved its target of 30% of managerial positions filled by women, and intends to continue its efforts to make further progress. These efforts will also target sales teams, on which women are still under-represented.

In pursuit of its targets, Merck has trained dedicated teams responsible for setting targets and metrics within each department in order to support women's career development into management.

In 2017, for the sixth year in a row, Merck launched special initiatives to promote diversity and inclusion. Under a campaign banner of "Different Perspectives", the pharmaceutical group organised a wide range of activities around the globe, with 11,100 employees taking part in 32 countries.

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.

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. The German "Kodex" code of good corporate governance is due to be updated in that respect in 2019.

The proportion of companies including ESG criteria in executive pay awards grew from 65.9% in 2017 to 73% in 2018 for the Euro Stoxx Large and from 66.8% to 80.6% respectively for METROPOLE Euro SRI.

MONITORING OF POSITIONS



BNP PARIBAS

✓ **3.6%* of the portfolio**

**Data at 31/12/2018*

In 2018, BNP Paribas formally included ESG criteria in its determination of variable pay awards to executives. Previously, 25% of variable compensation was based on qualitative criteria, including ESG criteria. In the interests of greater transparency in its executive pay policy, BNP Paribas decided to index 10% of the variable pay of its executives on the following ESG indicators :

- Company performance on climate and social issues.
- Ranking in the top quartile of ESG indices (FTSE, Robeco SAM and Vigeo).
- Achievement of three-yearly ESG targets set for key employees.

The third indicator reflects BNPP's determination to involve all its teams in ESG issues by incentivising both executives and employees. Close on 7,000 employees now have a financial stake in ESG issues.



MICHELIN

✓ **2.6%* of the portfolio**

**Data at 31/12/2018*

Michelin is now a leading light in terms of involving its executives in ESG issues. The world's leading tyre manufacturer now bases 30% of executives' variable pay awards on ESG criteria, divided equally between two indicators established by the group:

- The MEF (Michelin Environmental Footprint), which covers the group's main environmental issues: management of water and energy consumption, emissions of CO2 and volatile organic compounds (VOCs), total weight of waste generated and of waste to landfill.
- The employee engagement survey, an annual survey of all group employees to assess their degree of satisfaction and engagement. The engagement rate has grown steadily over time, and now stands at 80%, with a survey response rate of 91%. The group has set itself the target of an 85% engagement rate in 2020.

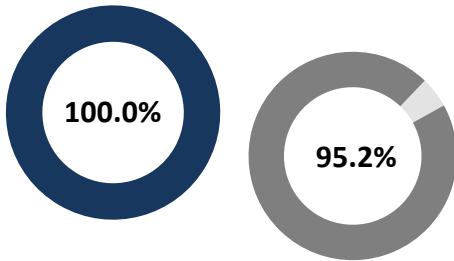
These indicators are also used to determine part of the pay awards to certain managers. Michelin is thus deploying its ESG commitment at various levels of the business, indicative of its determination to remain ahead of the game in this area.

2018 IMPACT REPORT | METROPOLE EURO SRI

Responsible Value Investment – Our principal convictions on discounted Eurozone stocks



COMPANIES APPLYING A POLICY PROMOTING RESPECT OF HUMAN RIGHTS



■ METROPOLE EURO SRI ■ EURO STOXX LARGE

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 2018, all the companies held in the METROPOLE Euro SRI portfolio complied with this indicator, while a growing number of Euro Stoxx Large companies (95.2% vs 90.9%) were also compliant.

MONITORING OF POSITIONS



BANCO SANTANDER

✓ **4.5%* of the portfolio**

**Data at 31/12/2018*

Banco Santander has established a human rights policy based on respect for and compliance with fundamental international principles: the Universal Declaration of Human Rights, the International Labour Organization (ILO) Declaration on Fundamental Principles and Rights at Work, and the UN Global Compact. The company reviewed its policy in 2018 to include combatting anti-LGBT discrimination.

To ensure that this policy is applied throughout its supply chain, Banco Santander includes respect for human rights in its internal supplier policy. Should any of its suppliers breach the charter, the bank will work with them to develop an action plan and introduce corrective measures. If insufficient progress is made, the group reserves the right to end the partnership.

A key issue for the group is ensuring that human rights are respected in all projects it finances. Banco Santander is tackling the issue by introducing sector policies founded on the Equator Principles to ensure adherence to the group's ethical principles, including respect for human rights, throughout its project financing activities.



CAPGEMINI

✓ **1.5%* of the portfolio**

**Data at 31/12/2018*

Capgemini's commitment to human rights is enshrined in its Ethical Charter, which prohibits any recourse to forced labour or child labour. When drawing up the Charter, the group took its inspiration from the Universal Declaration of Human Rights, and from International Labour Organization (ILO) fundamental conventions.

In order to embed these values in its corporate culture, Capgemini has set up an online training module dedicated to the Ethical Charter. Over 184,000 employees - close to 92% of headcount - have taken part to the module.

In 2015, Capgemini introduced a responsible supply chain purchasing policy requiring all group stakeholders to respect the principles of human rights or forfeit their business relationship with the group.

Lastly, a whistleblowing procedure, set out in the Ethical Charter, has been introduced to advise employees of the steps to take in response to any event potentially damaging to the group.

(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.